

Comprehensive  
Annual Financial Report  
For the fiscal year ended June 30, 2003

City of Tempe, Arizona



City Council:

Neil G. Giuliano, Mayor  
Barb Carter, Vice Mayor  
P. Ben Arredondo  
Dennis J. Cahill  
Leonard Copple  
Pamela L. Goronkin  
Mark Mitchell

Administrative Staff:

Will Manley, City Manager  
Patrick M. Flynn, CPA, Assistant City Manager

Presented by:

Jerry Hart, CPA, Financial Services Manager  
Tom Duensing, CPA, Deputy Financial Services Manager  
Karen Huffman, CPA, Accounting Manager





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CITY OF TEMPE  
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TEMPE, AZ 85280  
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FINANCIAL SERVICES

October 31, 2003

Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report for the City of Tempe, Arizona for the fiscal year ended June 30, 2003, is submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report is presented in three sections: 1) the **Introductory Section** which includes this transmittal letter, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information (other than MD&A) and the combining financial statements; and 3) the **Statistical Section** which includes selected financial and demographic information, generally presented on a multi-year basis.

This Comprehensive Annual Financial Report (CAFR) represents management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies that have expressed an interest in Tempe's financial matters. Copies of this financial report will also be placed in the City library for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, sewer and refuse services, development services, municipal courts, recreational and cultural activities, streets, transit, traffic control, and general administrative services. In addition to general governmental activities, standards set by the Governmental Accounting Standards Board ("GASB") regarding the inclusion of certain entities based upon the significance of their operational or financial relationships with the City require that the activities of the Tempe Municipal Property Corporation, Tempe Sports Authority Corporation and the Rio Salado Community Facilities District be included in the reporting entity.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

## ECONOMIC CONDITION AND OUTLOOK

The continued economic downturn, which was first realized during fiscal year 2001/2002, has had a significant impact on budgetary decisions within the City. The impact of the recession resulted in current year sales tax revenues (including city sales, local bed, transit and performing arts taxes) being slightly less than the prior year and 98% of what was budgeted. For the fiscal year, Sales tax, which is the largest revenue source of the General Fund through which most City services are financed, experienced slight negative month to month growth in comparison to the prior year.

The economic downturn also resulted in decreased state-shared revenues, the second largest revenue source of the General Fund. These revenues are comprised of state-shared sales tax, state income tax, vehicle license tax (auto lieu), and highway user revenues. Current year revenues increased slightly from \$43.8 million in the prior year to \$45.8 million in the current year. Although the state-shared revenues showed a slight increase in the current year, these revenues are still well below years prior to fiscal year 2001/2002. The level of current year revenue largely reflects lack of consumer confidence, decreased tourism and a decrease in the percentage of population when compared to larger, faster growing cities. This decrease in the percentage of population resulted in a reduced allocation of state-shared revenues.

Although Tempe recognized a decline in sales tax over the last two fiscal years, the projections indicate a modest recovery late in fiscal year 2003/2004. The City had positioned itself well to weather this economic downturn through the establishment and maintenance of prudent fund balance reserves over the years. Through the exercise of sound decision making and prudent fiscal policies, the City will continue to ensure its' strong financial health into the future.

## MAJOR INITIATIVES

In recognition of the continued decline in major revenue sources, City management instituted a series of cost saving measures designed to balance the budget while maintaining current levels of city services. These measures included the following:

- **Reduction in Work Force** – The City eliminated approximately 125 General Fund positions effective in fiscal year 2003/2004. These included previously frozen/unfilled positions. Public safety (police and fire) were the only positions exempted from this work force reduction. Any positions filled in the City, required the approval of the City Manager.
- **Departmental budget cuts** – Submitted as part of the 2003/2005 biennial budget, no cost of living salary increases were proposed. In addition, \$1.0 million in non-personnel type budget reductions were identified, departments are not able to submit mid-year budget supplemental requests and only minimal capital replacement expenditures will be allowed.

These prudent actions were necessary to ensure a balanced budget for the two ensuing fiscal years. Management continues to assess the current environment to determine whether in fact full, unobstructed recovery will be achieved over the next several years, or if the City is facing a permanent change in its' economic structure. Additionally, the state continues to face its' own budgetary crisis and may seek a reduction in the revenues it shares with cities and towns in an effort to balance its' budget. Any reduction in state-shared revenues would have a significant impact to the City. Management will continue to closely monitor this situation as it develops. In the past, the League of Arizona Cities and Towns, of which the City is a member, has been successful lobbying the Legislature to maintain current state-shared revenues. The Governor's fiscal year 2003/2004 budget did not contain a reduction in state-shared revenues.

Indications are that the economic challenges would continue to face the City into the next fiscal year; however, Tempe saw positive signs in the marketplace. Both Costco and Target are expanding their Tempe stores; the Autoplex added an Acura dealership and continues to be a successful development; and both Eckerd and CVS are building new drugstores at various locations in Tempe.

Arizona as a whole, and Tempe in particular, benefited from the selection of Phoenix as the headquarters for the International Genomics Consortium and the Translational Genomics Research Institute. As a result of these genetic research organizations locating to Phoenix, Arizona State University is creating a biodesign corridor that includes five research buildings. Tempe will be in the position to attract many of the new businesses spawned by the emphasis on biotechnology research.

Focusing on developing infill housing opportunities, several new downtown residential projects are in the planning stages and should break ground in 2004. ASU has made a significant commitment to student housing and will build a 2,000-unit academic village on the southern boundary of campus.

Other notable projects at the City include the IKEA retail store, the Playa Del Norte mix-use development and the Tempe Marketplace development. These developments are expected to significantly improve the City's economic base.

Tempe was chosen by **IKEA**, a Swedish furniture retailer, as the home of its first Arizona store. The store will be approximately 300,000 square feet and will have approximately 450 employees. IKEA is scheduled to open in late 2004.

Adjacent to the Rio Salado town lake, Tempe is in the process of developing a 23-acre site with a mixture of office space, residential units and restaurant and retail space. Construction is set to begin on the **Playa Del Norte** project in early 2004.

Located at the southwest corner of the Loop 101 and Loop 202 freeways is the planned **Tempe Marketplace** development. The site will include over 1.0 million square feet of mostly retail space. Site preparation is scheduled to begin in 2004.

## **FINANCIAL INFORMATION**

### **Internal Control**

The management of the City of Tempe is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Controls**

The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its' responsibility for sound financial management.

## **Single Audit**

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2003, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

## **Cash Management**

The City utilizes a pooled cash and investment concept for all funds. Each fund type's portion of the pool is displayed in the basic financial statements as "Pooled cash and investments."

The City's investment policy is to invest pooled cash in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and City statutes governing the investment of public funds. The City is permitted to invest in obligations of the U.S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and the State of Arizona's Local Government Investment Pool. The City's effective annual yield on pooled cash and investments for the 2002/03 fiscal year was 3.05%.

## **Risk Management**

The City of Tempe maintains a protected self-insurance program for its liability (general, automobile, and professional), property, workers' compensation, and group insurance coverages. Liability, property and workers' compensation claims are administered by the Risk Management Division of the Financial Services Department, and group insurance claims are administered by the Human Resources Department.

The City maintains a sound loss fund to pay for claims within its various self-insured retentions (SIR) for each of the above lines of coverage. At June 30, 2003, the loss fund had a fund balance of \$8.8 million. Excess insurance is purchased for claims above the SIRs, thus, making this a protected self-insurance program.

## **OTHER INFORMATION**

### **Independent Audit**

City Charter requires an annual audit by independent certified public accountants. Through a Request for Proposal process, the accounting firm of KPMG LLP has been selected by the City Council. The auditors' report on the financial statements is included in the financial section of this report.

In addition to this report, KPMG LLP was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act of 1996 and the related Office of Management and Budget Circular A-133. Due to the size and complexity of the City's financial reporting system, the single audit report is issued separately from this financial report. Copies are available upon request.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

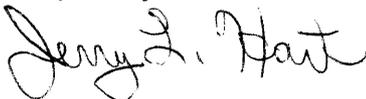
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-seven consecutive years (fiscal years 1976-2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also received the GFOA's award for Distinguished Budget Presentation for our 2001/03 biennial budget. The City's budget document was judged to be an outstanding communications document.

### **Acknowledgment**

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. To them and to the City Council and City Manager for their support and interest in improving Tempe's fiscal policies and practices, I express my sincere appreciation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jerry L. Hart".

Jerry L. Hart  
Financial Services Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tempe,  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



For the Fiscal Year  
Ended June 30, 2003

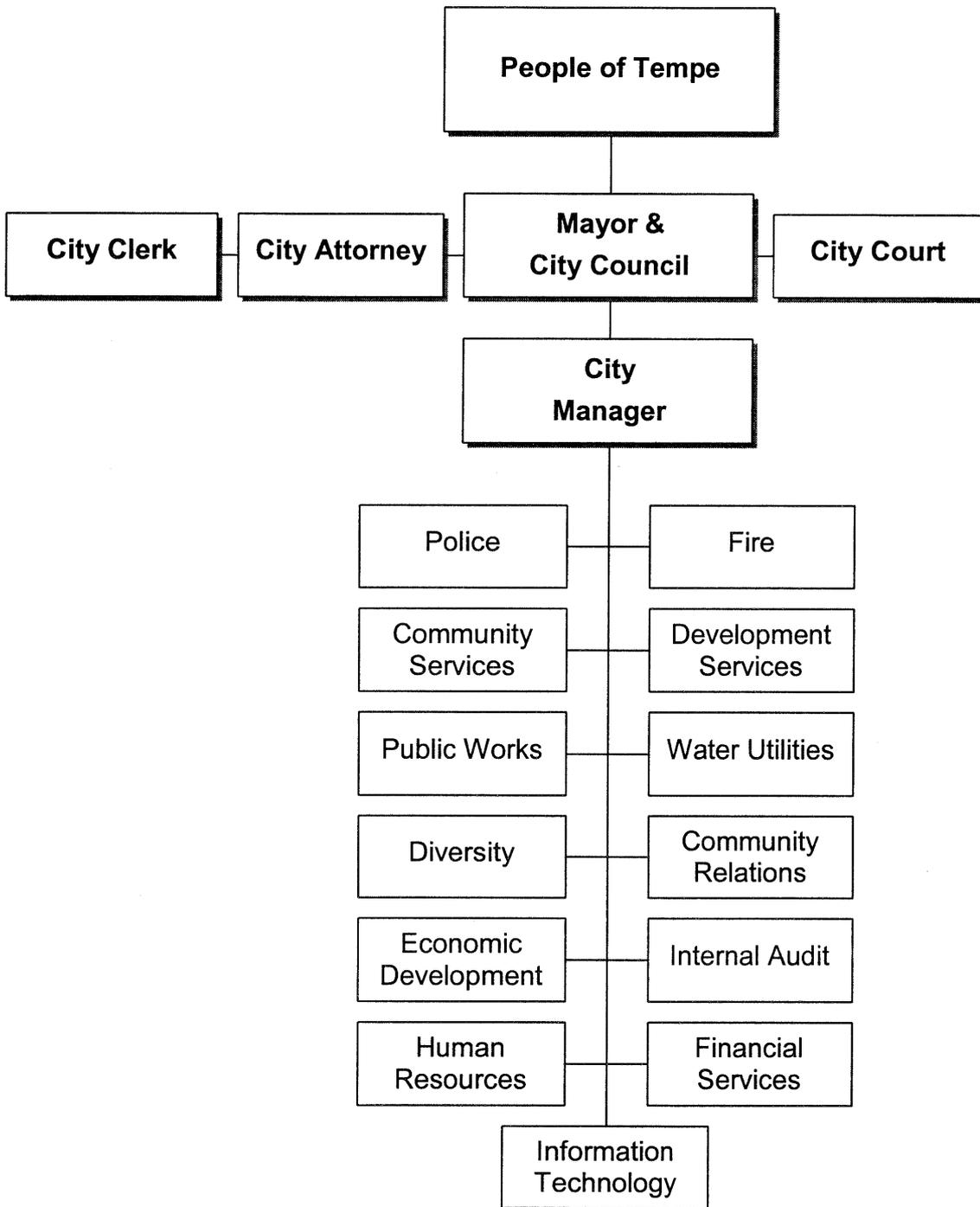
## **City of Tempe, Arizona List of Principal Officials**

### **City Council**

Neil G. Giuliano, Mayor  
Barb Carter, Vice mayor  
P. Ben Arredondo  
Dennis J. Cahill  
Leonard Copple  
Pamela L. Goronkin  
Mark Mitchell

### **Administrative Staff**

Will Manley, City Manager  
Patrick M. Flynn, Assistant City Manager  
Marlene Pontrelli, City Attorney  
Kathy Matz, City Clerk  
Louraine Arkfeld, City Court  
Ken Jones, Internal Audit  
Rosa Inchausti, Diversity  
Valerie Hernandez, Human Resources  
Tom Canasi, Community Services  
Randy Gross, Community Relations  
Ralph Tranter, Police  
Cliff Jones, Fire  
Gene Obis, Information Technology  
Jerry Hart, Financial Services  
Melanie Hobden, Development Services  
Glen Kephart, Public Works  
Tom Gallier, Water Utilities  
Jan Schaefer, Economic Development





One Arizona Center  
400 E. Van Buren Street  
Suite 1100  
Phoenix, AZ 85004

## Independent Auditors' Report

The Honorable Mayor and Members of the City Council  
City of Tempe, Arizona:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the transit special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.





The Honorable Mayor and Members of the City Council  
City of Tempe, Arizona

The management's discussion and analysis on pages 17 through 32 and the schedule of funding progress in Note 14 E on page 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, financial data schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. However, the financial data schedules are required by the U.S. Department of Housing and Urban Development. The combining and individual fund statements and schedules and financial data schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 31, 2003



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

### FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$910.9 million (net assets). Of this amount, \$155.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased by \$2.9 million during the fiscal year.
- ◆ At June 30, 2003, the City's governmental funds reported combined ending fund balances of \$205.9 million. Approximately 78% of this total amount (\$161.0 million) is unreserved fund balance available for spending at the government's discretion.
- ◆ At June 30, 2003, total unreserved fund balance for the general fund was \$63.7 million. The undesignated portion of unreserved fund balance is \$34.5 million, which is 28% of total general fund revenues of \$122.2 million.
- ◆ At June 30, 2003, the City's proprietary funds reported combined total net assets of \$261.9 million, and total unrestricted net assets of \$81.9 million. \$80.7 million of the unrestricted net assets are in the Water and Wastewater Fund.
- ◆ The City issued \$44.8 million in new general obligation debt during the current fiscal year for the expansion and optimization of water and wastewater treatment facilities, street improvements, park improvements, storm drain improvements, police facility improvements and construction of a new downtown fire station.
- ◆ The City issued \$15.5 million in variable rate demand excise tax revenue obligations. The bonds were issued to finance costs associated with phase one of the Tempe Center for the Arts.
- ◆ The City issued \$39.3 million of excise tax revenue obligations to refund \$40.5 million in previously issued variable rate demand excise tax revenue obligations. These obligations were issued in connection with the construction/acquisition of portions of the City's Rio Salado Town Lake Project.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, public works, community relations, mayor and council, city manager, city clerk and elections, city attorney, municipal courts, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include water and wastewater, refuse, and golf.

Included within the government-wide financial statements are the operations of the Tempe Municipal Property Corporation, Tempe Sports Authority, and the Rio Salado Community Facilities District. Although legally separate from the City, these component units are blended with the primary government (the City) because of their governance or financial relationships with the City.

## **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental** funds and **proprietary** funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, transit special revenue fund, general obligation debt service fund, special assessment debt service fund, performing arts capital projects fund, transit capital projects fund and the community development capital projects fund which are all considered to be major funds. Data

from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general, special revenue (except grants and court awards), general obligation debt service, and proprietary funds. Budgetary comparison statements have been provided in the basic financial statements for the general and transit special revenue funds to demonstrate compliance with the budget. Budgetary comparison statements for the nonmajor special revenue and general obligation debt service funds are included in Other Supplementary Information.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers—either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater, Refuse collection/disposal, and Golf course operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance program and its risk management services including workers compensation, general liability and property. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

## **GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS**

Beginning with the fiscal year ended June 30, 2002, the City was required to present its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

**Net Assets**  
**June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current and other assets	\$ 283,121,325	\$ 181,874,228	\$ 464,995,553
Capital assets, net	618,244,021	192,725,348	810,969,369
Total assets	<u>901,365,346</u>	<u>374,599,576</u>	<u>1,275,964,922</u>
<b>Liabilities</b>			
Long-term liabilities	197,453,659	98,100,000	295,553,659
Other liabilities	54,864,141	14,632,013	69,496,154
Total liabilities	<u>252,317,800</u>	<u>112,732,013</u>	<u>365,049,813</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	440,494,223	171,881,978	612,376,201
Restricted	135,314,124	8,130,795	143,444,919
Unrestricted	73,239,199	81,854,790	155,093,989
Total net assets	<u>\$ 649,047,546</u>	<u>\$ 261,867,563</u>	<u>\$ 910,915,109</u>

**Net Assets**  
**June 30, 2002**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current and other assets	\$ 273,264,273	\$ 158,480,483	\$ 431,744,756
Capital assets, net	593,991,439	192,092,018	786,083,457
Total assets	<u>867,255,712</u>	<u>350,572,501</u>	<u>1,217,828,213</u>
<b>Liabilities</b>			
Long-term liabilities	172,576,434	79,354,393	251,930,827
Other liabilities	36,690,284	15,414,548	52,104,832
Total liabilities	<u>209,266,718</u>	<u>94,768,941</u>	<u>304,035,659</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	433,414,734	173,224,647	606,639,381
Restricted	122,572,053	10,065,796	132,637,849
Unrestricted	102,002,207	72,513,117	174,515,324
Total net assets	<u>\$ 657,988,994</u>	<u>\$ 255,803,560</u>	<u>\$ 913,792,554</u>

**Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$910.9 million and \$913.8 million at June 30, 2003 and 2002, respectively.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets. The net assets invested in capital assets, net of related debt were \$612.4 million and \$606.6 million at June 30, 2003 and 2002, respectively. These totals represent 67.2% and 66.4% of total net assets at June 30, 2003 and 2002, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The net assets subject to external restrictions were \$143.4 million (15.7% of total net assets) and \$132.6 million (14.5% of total net assets) at June 30, 2003 and 2002, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation) and the State of Arizona (highways and streets, court enhancements and debt service). The remaining balance of net assets is unrestricted, and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net assets was \$155.1 million (17.0% of total net assets) and \$174.5 million (19.1% of total net assets) at June 30, 2003 and 2002, respectively.

At the end of each fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

**Analysis of Change in Net Assets**

The City's net assets decreased by \$2.9 million during the current fiscal year. These decreases are explained in the governmental and business-type activities discussion below.

**Changes in Net Assets  
June 30, 2003**

<b>Revenues</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Program Revenues:			
Charges for services	\$ 17,588,825	\$ 55,733,154	\$ 73,321,979
Operating grants and contributions	13,490,697	-	13,490,697
Capital grants and contributions	5,098,677	179,754	5,278,431
General Revenues:			
Sales taxes	112,724,512	-	112,724,512
State income taxes	16,882,535	-	16,882,535
Property taxes	21,269,140	-	21,269,140
Franchise taxes	1,476,718	-	1,476,718
Auto-lieu taxes	6,247,543	-	6,247,543
Unrestricted investment earnings	2,898,356	900,524	3,798,880
Other	1,469,345	481,297	1,950,642
Total revenues	<u>199,146,348</u>	<u>57,294,729</u>	<u>256,441,077</u>

**Expenses**

Police	47,729,305	-	47,729,305
Fire	15,103,049	-	15,103,049
Community services	20,307,801	-	20,307,801
Public works	57,917,031	-	57,917,031
Community relations	2,845,176	-	2,845,176
Mayor and council	579,089	-	579,089
City manager	918,556	-	918,556
City clerk and elections	433,922	-	433,922
City attorney	2,027,045	-	2,027,045
Municipal courts	3,230,817	-	3,230,817
Development services	18,760,209	-	18,760,209
Economic development	3,245,906	-	3,245,906
Financial services	5,404,942	-	5,404,942
Human resources	3,762,782	-	3,762,782
Information technology	4,185,163	-	4,185,163
Non-departmental	14,852,873	-	14,852,873
Interest on long-term debt	6,956,107	-	6,956,107
Water/Wastewater	-	38,417,396	38,417,396
Refuse	-	10,205,570	10,205,570
Golf	-	2,435,783	2,435,783
Total expenses	<u>208,259,773</u>	<u>51,058,749</u>	<u>259,318,522</u>
Decrease in net assets before			
Transfers	(9,113,425)	6,235,980	(2,877,445)
Transfers	171,977	(171,977)	-
Change in net assets	<u>(8,941,448)</u>	<u>6,064,003</u>	<u>(2,877,445)</u>
Net assets at beginning of year	657,988,994	255,803,560	913,792,554
Net assets at end of year	<u>\$ 649,047,546</u>	<u>\$ 261,867,563</u>	<u>\$ 910,915,109</u>

**Changes in Net Assets  
June 30, 2002**

<b>Revenues</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Program Revenues:			
Charges for services	\$ 18,545,694	\$ 52,994,240	\$ 71,539,934
Operating grants and contributions	11,782,757	-	11,782,757
Capital grants and contributions	9,376,155	2,033,578	11,409,733
General Revenues:			
Sales taxes	111,538,072	-	111,538,072
State income taxes	16,544,791	-	16,544,791
Property taxes	20,375,185	-	20,375,185
Franchise taxes	1,810,590	-	1,810,590
Auto-lieu taxes	5,233,512	-	5,233,512
Unrestricted investment earnings	11,223,592	3,745,272	14,968,864
Other	1,444,812	734,062	2,178,874
Total revenues	<u>207,875,160</u>	<u>59,507,152</u>	<u>267,382,312</u>

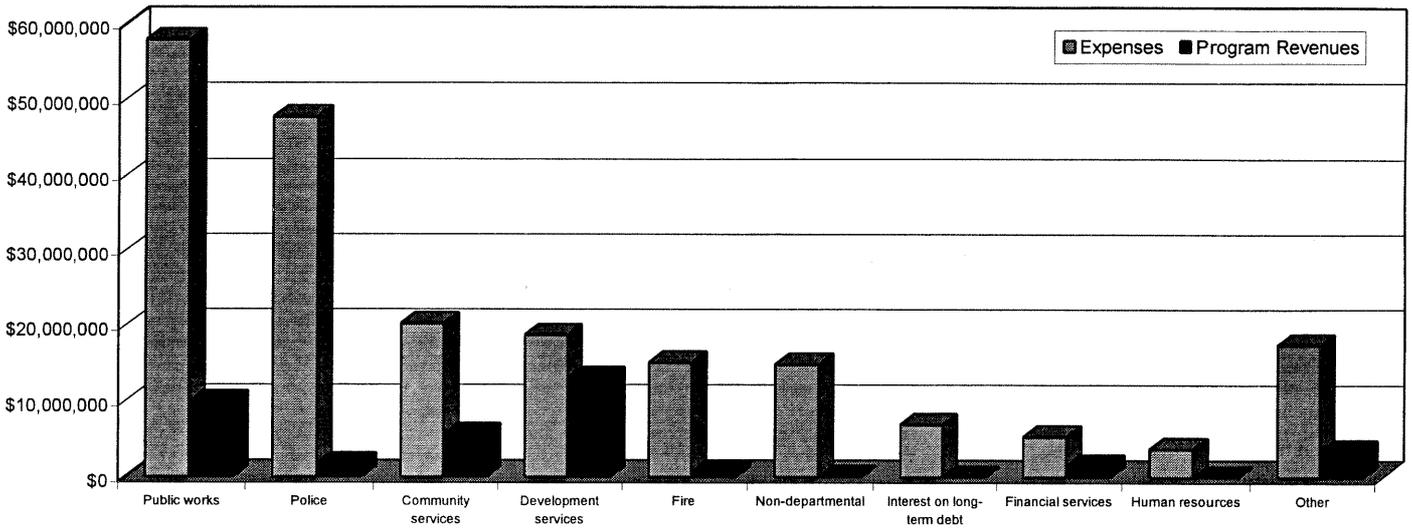
## Expenses

Police	45,265,995	-	45,265,995
Fire	15,988,363	-	15,988,363
Community services	20,874,630	-	20,874,630
Public works	57,047,822	-	57,047,822
Community relations	2,212,271	-	2,212,271
Mayor and council	516,899	-	516,899
City manager	1,414,543	-	1,414,543
City clerk and elections	784,099	-	784,099
City attorney	2,420,285	-	2,420,285
Municipal courts	3,325,642	-	3,325,642
Development services	16,808,229	-	16,808,229
Economic development	2,485,774	-	2,485,774
Financial services	4,906,157	-	4,906,157
Human resources	4,058,772	-	4,058,772
Information technology	804,751	-	804,751
Non-departmental	7,594,725	-	7,594,725
Interest on long-term debt	6,588,170	-	6,588,170
Water/Wastewater	-	38,892,299	38,892,299
Refuse	-	10,294,641	10,294,641
Golf	-	2,441,907	2,441,907
Total expenses	193,097,127	51,628,847	244,725,974
Increase in net assets before			
Transfers	14,778,033	7,878,305	22,656,338
Transfers	(68,770)	68,770	-
Change in net assets	14,709,263	7,947,075	22,656,338
Net assets at beginning of year	643,279,731	247,856,485	891,136,216
Net assets at end of year	\$ 657,988,994	\$ 255,803,560	\$ 913,792,554

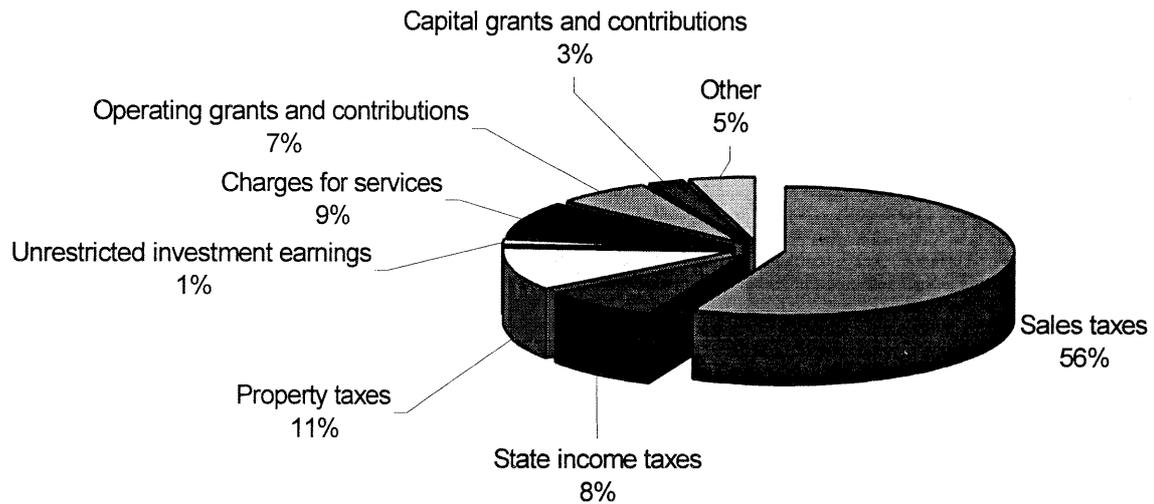
**Governmental activities.** Governmental activities decreased the City's net assets by \$9.1 million due largely to the continued economic slowdown experienced during the year. The key factors for this decrease are as follows:

- During the current fiscal year, sales tax revenue fell short of original budget projections due to the continued economic slowdown. Anticipating this shortfall, City management implemented additional cost savings measures during the fiscal year: 1) a hiring freeze, put into effect during the fiscal year ended June 30, 2002, remained in effect during fiscal year ended June 30, 2003; 2) the adopted budget reflected departmental budgets cuts of 3% and 3) capital improvement projects funded with surplus pay-as-you-go financing were either delayed or eliminated. In addition, a Workforce Reduction Program was implemented and included the elimination of 125 positions necessary to balance the projected budgetary gap in the ensuing fiscal year. These efforts are estimated to save the City \$8.2 million dollars.
- The City saw a decrease in capital grants and contributions of \$4.3 million due primarily to a decrease in capital grants for bus purchases, pedestrian lighting and traffic signal change outs.
- Unrestricted investment earnings decreased by \$8.3 million due primarily to a decrease in the market value of the City's investment portfolio as well as a decrease in the average yield on investments for the fiscal year ended June 30, 2003.
- Non-departmental expenses increased by \$7.3 million due primarily to the one-time cost of incentivized retirement packages as part of the Workforce Reduction Program and a one-time reimbursement for powerline undergrounding costs.

### Fiscal Year 2002-03 Expenses and Program Revenues - Governmental Activities



### Fiscal Year 2002-03 Revenues by Source - Governmental Activities



The charts above illustrate the City's governmental expenses and revenues by function and its revenues by source for the current fiscal year. A comparison of expense by function and the percentage of total expenses, for the five largest functions, is presented below.

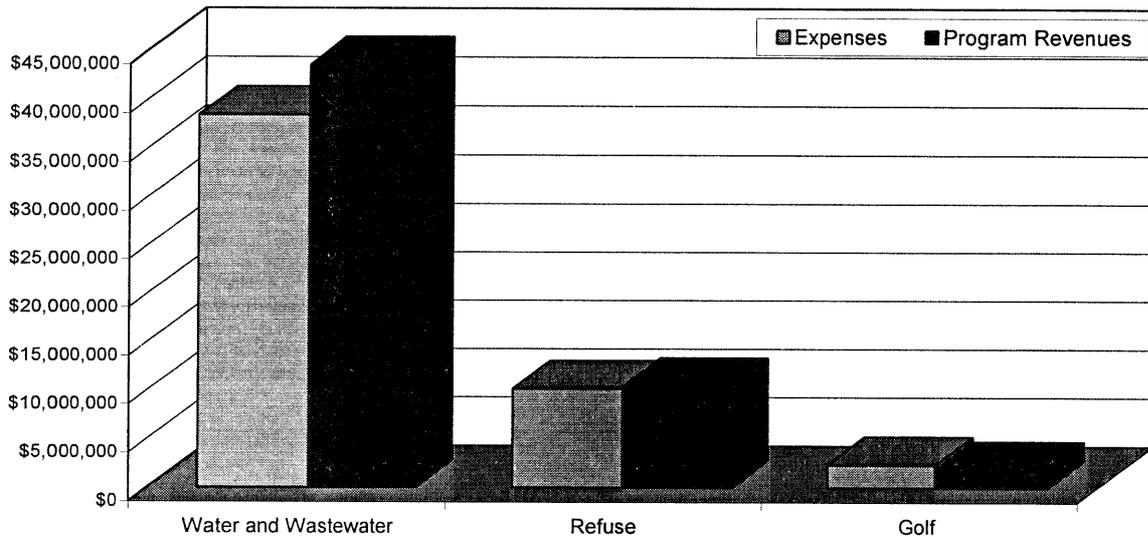
	Fiscal Year Ended			
	June 30, 2003		June 30, 2002	
Public Works	\$57,917,031	27.8%	\$57,047,822	29.5%
Police	47,729,305	22.9	45,265,995	23.4
Community Services	20,307,801	9.8	20,874,630	10.8
Development Services	18,760,209	9.0	16,808,229	8.7
Fire	15,103,049	7.3	15,988,363	8.3

General revenues such as sales taxes, state income taxes, property taxes, and other excise taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, a comparison of the largest general revenues, and their percentage of total revenues, is presented below.

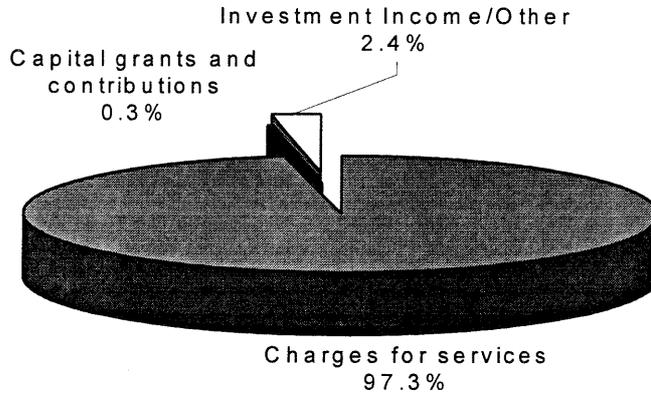
	Fiscal Year Ended			
	June 30, 2003		June 30, 2002	
Sales Taxes	\$112,724,512	56.6%	\$111,538,072	53.6%
Property Taxes	21,269,140	10.7	20,375,185	9.8
Charges for Services	17,588,825	8.8	18,545,694	8.9
State Income Taxes	16,882,535	8.5	16,544,791	7.9

**Business-type activities.** Business-type activities increased the City's net assets by \$6.1 million. The key factors in this increase were an increase in rates during the year coupled with the realization of significant cost savings in wastewater treatment operations.

Fiscal Year 2002-03 Expenses and Program Revenues - Business-type Activities



**Fiscal Year 2002-03 Revenues by Source - Business-type Activities**



For the business type activities a comparison of revenues by source is provided for each activity.

**For the Year Ended June 30, 2003**

	Water and Wastewater	Refuse	Golf	Total
Charges for services	\$ 43,315,681	\$ 10,496,774	\$ 1,920,699	\$ 55,733,154
Capital grants and contributions	179,754	-	-	179,754
Investment Income/Other	1,313,000	51,702	17,119	1,381,821
<b>Total</b>	<b>\$ 44,808,435</b>	<b>\$ 10,548,476</b>	<b>\$ 1,937,818</b>	<b>\$ 57,294,729</b>

**For the Year Ended June 30, 2002**

	Water and Wastewater	Refuse	Golf	Total
Charges for services	\$ 40,890,844	\$ 9,979,359	\$ 2,124,037	\$ 52,994,240
Capital grants and contributions	2,033,578	-	-	2,033,578
Investment Income/Other	4,399,240	46,852	33,242	4,479,334
<b>Total</b>	<b>\$ 47,323,662</b>	<b>\$ 10,026,211</b>	<b>\$ 2,157,279</b>	<b>\$ 59,507,152</b>

As shown in the Analysis of Change in Net Assets schedules presented previously, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$38.4 million for the fiscal year, followed by Refuse with \$10.2 million, and Golf with \$2.4 million. For the fiscal year, revenues exceeded expenses in both the Water and Wastewater and Refuse operations. Expenses exceeded revenues in the Golf operations. The City will be reviewing potential increases to Water and Wastewater, Refuse and Golf rates during the next fiscal year. During the fiscal year, fees provided the largest share of revenues (97.3%) for all of the business-type activities.

## FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$205.9 million, a decrease of \$3.5 million from the prior year. Approximately \$161.0 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$30.1 million), (2) to pay debt service (\$13.6 million), and (3) for other restricted purposes (\$1.3 million).

Revenues for governmental functions overall totaled approximately \$203.0 million in the fiscal year ended June 30, 2003, which represents a decrease of 2.2% from the fiscal year ended June 30, 2002. Expenditures for governmental functions, totaling \$243.3 million, increased by approximately 14.2% from the fiscal year ended June 30, 2002. In the fiscal year ended June 30, 2003, expenditures for governmental functions exceeded revenues by \$40.3 million or 19.9% of revenues. An analysis of each individual major fund follows.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$63.7 million (the undesignated portion equaled \$34.5 million), while total fund balance was \$66.6 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

	Fiscal Year Ended			
	June 30, 2003		June 30, 2002	
Revenues	\$ 122,219,318		\$ 123,701,934	
Total Fund Balance	66,620,244	54.5 %	77,450,261	62.6 %
Unreserved Fund Balance	63,670,728	52.1	75,249,138	60.8
Unreserved, Undesignated Fund Balance	34,473,270	28.2	35,125,797	28.4

The fund balance in the City's general fund decreased by \$10.8 million during the fiscal year mainly due to the prolonged economic downturn, a decrease in the market value of the City's cash and investment portfolio, a decrease in the average yield on investments, the one-time costs of incentivized retirement packages, and powerline undergrounding costs. Overall, the General Fund's performance resulted in expenditures in excess of revenues in the fiscal year ended June 30, 2003 of \$4.1 million. This is a decrease of \$9.9 million over the comparable figure from the prior year of revenues in excess of expenditures of \$5.8 million.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of the Transit Tax monies. The unreserved fund balance totaled \$49.0 million at June 30, 2003, compared to a \$41.0 million unreserved fund balance at June 30, 2002. The net change in fund balance for the year ended June 30, 2003 was \$8.0 million compared to \$9.3 million for the year ended June 30, 2002. A large portion of each year's operating surplus will be applied towards new and replacement buses, a new Transit Center, the City's light rail project and other capital projects.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) increased from \$12.1 million at June 30, 2002 to \$13.5 million at June 30, 2003. The total debt service fund net change in

fund balance of \$1.3 million will be used to service future debt issuances consistent with the City's Debt Management Plan, which was adopted in 1989.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt. There were no significant changes in total fund balance from June 30, 2002 to June 30, 2003. Total special assessments receivable decreased from \$20.2 million to \$18.5 million, as there was no special assessment debt issued for the year ended June 30, 2003.

The **Performing Arts Capital Projects Fund** accounts for the construction of the performing and visual arts center. Total fund balance increased from \$1.9 million at June 30, 2002 to \$5.6 million at June 30, 2003 due primarily to the unspent proceeds of the \$15.5 million excise tax revenue obligations issued during the fiscal year.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system and other traffic flow improvements. Total fund balance decreased from \$27.2 million at June 30, 2002 to \$23.0 million at June 30, 2003 due primarily to increased spending related to the City's light rail project.

The **Community Development Capital Projects Fund** accounts for the acquisition, reconstruction, remodeling, renovating and equipping of existing buildings that house municipal departments. In addition, the fund is used for the acquisition and construction of housing for the elderly and the redevelopment of the downtown area. Total expenditures increased from \$9.4 million for the fiscal year ended June 30, 2002 to \$20.9 million for the fiscal year ended June 30, 2003. This is due primarily to the purchase of the Hayden Flour Mill for redevelopment purposes. Total fund balance decreased from \$11.7 million to \$2.5 million due primarily to capital project expenditures funded from pay-as-you-go transfers made in the fiscal year ended June 30, 2002.

**Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year indicated, the unrestricted net assets for the proprietary funds were as follows:

	<b>Fiscal Year Ended</b>	
	<b>June 30, 2003</b>	<b>June 30, 2002</b>
Water and Wastewater Fund	\$80,705,662	\$71,701,351
Refuse Fund	469,027	20,065
Golf Fund	680,101	791,701
Internal Service Fund	1,819,673	1,534,035

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund saw an increase in net assets of \$6.0 million for the fiscal year ended June 30, 2003. This is due primarily to continued cost savings realized and a midyear water and sewer rate increase.

The **Refuse Fund** accounts for the provision of refuse collection and disposal services for both residential and commercial customers. The net assets in the fund increased by \$0.3 million due primarily to a midyear rate increase.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The \$0.3 million loss in the Golf fund was due to reduced rounds of play related to the decline in tourism and increased competition from golf courses in neighboring cities.

**Budget Highlights**

The City's final budget differs from the original budget for the General Fund primarily in that it contains carry-forward appropriations for encumbrances rolled forward from the prior fiscal year, and budget transfers from other funds. Carry-forward appropriations for rolled forward encumbrances were \$1.7 million and budget transfers from other funds were \$870,000 for the General Fund.

During the year, actual revenues fell short of budgetary estimates by \$2.3 million in the General Fund due primarily to the shortfall of sales tax and investment income as addressed previously.

Actual expenditures were below budgetary estimates by \$1.3 million in the General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2003 amount to \$811.0 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was 3.1%. The tables below reflect the capital assets at the end of the fiscal year June 30, 2003 and 2002, respectively.

#### Capital Assets, Net of Depreciation June 30, 2003

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 45,103,658	\$ 9,935,732	\$ 55,039,390
Buildings	89,177,012	35,831,853	125,008,865
Infrastructure	386,233,670	85,239,168	471,472,838
Improvements	35,945,019	43,961,244	79,906,263
Machinery and equipment	38,782,284	10,529,746	49,312,030
Construction in progress	23,002,378	7,227,605	30,229,983
Total	<u>\$ 618,244,021</u>	<u>\$ 192,725,348</u>	<u>\$ 810,969,369</u>

#### Capital Assets, Net of Depreciation June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 28,868,113	\$ 9,935,732	\$ 38,803,845
Buildings	84,685,209	36,927,083	121,612,292
Infrastructure	394,832,146	87,302,281	482,134,427
Improvements	32,056,661	42,345,674	74,402,335
Machinery and equipment	35,111,748	11,397,635	46,509,383
Construction in progress	18,437,562	4,183,614	22,621,176
Total	<u>\$ 593,991,439</u>	<u>\$ 192,092,019</u>	<u>\$ 786,083,458</u>

Major capital asset events during the current fiscal year included the following:

- Construction continued on phase one of the Tempe Center for the Arts. The center will include a 600-seat main theater, a 200-seat studio theater, a 3,100 square foot multi-purpose room, a 3,500 square foot visual arts gallery and related administrative, technical and support spaces. The total project is expected to cost \$63 million. Phase one consists of \$3.2 million in undergrounding of utilities, \$9 million in landfill remediation and \$2.8 million in design costs. Expenditures related to the Tempe Center for the Arts totaled \$11.8 million for the fiscal year ended June 30, 2003, which included \$6.3 million of land improvements.

- In the Community Development Fund, acquisition of the historic Hayden Flour Mill and surrounding land occurred during the fiscal year for a total of \$11.8 million.
- Improvements to the South Tempe Water Treatment Plant and Johnny G. Martinez Water Treatment Plant totaled \$3.5 million. In addition, capital replacement and expansion of the Kyrene Water Reclamation Plant continued during the year with \$2.9 million spent towards this effort.
- The City, along with other participating valley cities, is in the early stages of construction of a light rail mass transit system to serve the transportation needs of the region. Infrastructure, planning and design costs of \$5.3 million were incurred during the year.
- Other notable projects during the fiscal year were the continued construction of a downtown fire station and completion of the Sixth Street Park in the downtown area. A total of \$1.9 million and \$1.5 million was spent on these projects, respectively, during the fiscal year.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to Note 9 of the Notes to the Financial Statements for further information regarding capital assets.

### **Debt Administration**

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$295.6 million. Of this amount, \$188.0 million is general obligation bonds backed by the full faith and credit of the City, \$68.2 million represent excise tax revenue obligations, and \$18.5 million is improvement district bonds. The remainder includes interfund loans and other governmental activities.

### **Outstanding Long-term Obligations June 30, 2003**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 90,395,000	\$ 97,580,000	\$ 187,975,000
Special Assessment bonds	18,520,000	-	18,520,000
TMPC bonds	-	520,000	520,000
Certificates of Participation	3,335,000	-	3,335,000
Excise Tax Revenue Refunding Obligations	39,275,000	-	39,275,000
Variable Rate Demand Excise Tax Obligations	14,740,000	-	14,740,000
Capital improvement notes	10,289,755	-	10,289,755
Total debt payable	<u>176,554,755</u>	<u>98,100,000</u>	<u>274,654,755</u>
Capital leases	7,436,279	-	7,436,279
Compensated absences	10,421,892	-	10,421,892
Claims and judgements	3,040,733	-	3,040,733
Total long-term obligations	<u>\$ 197,453,659</u>	<u>\$ 98,100,000</u>	<u>\$ 295,553,659</u>

The City's issued \$44.82 million in new general obligation debt during the current fiscal year for the expansion and optimization of water and wastewater treatment facilities, street improvements, park improvements, storm drain improvements, police facility improvements and construction of a new downtown fire station. The City also issued \$15.5 million in variable rate demand excise tax revenue obligations to finance costs associated with phase one of the Tempe Center for the Arts. A total of \$39,275,000 of excise tax revenue obligations were issued to refund \$40.5 million in previously issued variable rate demand excise tax revenue obligations issued in connection with the construction/acquisition of portions of the City's Rio Salado Town Lake Project

The City's total governmental general obligation bonded debt increased by approximately \$14.9 million. The ratio of net (total bonded debt less debt service reserves) general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. A comparison of these indicators follows:

	<b>Fiscal Year 2002/2003</b>	<b>Fiscal Year 2001/2002</b>
Net General Bonded Debt	\$76,923,296	\$63,411,573
Net General Bonded Debt per capita	483	398
Ratio of net General bonded debt to net Assessed value	4.9%	4.4%
Debt service tax rate per \$100 of taxable Valuation	\$ 0.83	\$ 0.82

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2003 is \$24.0 million and \$181.7 million under the 6% and 20% limitation, respectively. Additional information on the statutory debt limitations may be found in Note 10 to the Financial Statements and the Statistical Section (Exhibit S-16) of this report.

During the year, the City maintained its AA+ rating from Standard & Poors Corporation, its Aa1 rating from Moody's Investors Service, and its AAA rating from Fitch Ratings on its outstanding debt.

Additional information on the City's long-term debt can be found in Note 10 to the Financial Statements.

### OTHER MATTERS

The City has incorporated into its fiscal year 2003/2005 biennial budget sales tax revenue growth between 1.7% to 2.1%, annually. This is down from the growth the City experienced from the mid 1990's through mid-year 2001.

In preliminary planning of the 2003/2005 biennial budget, management began to take steps to ensure that the City has a balanced budget. These steps include a reduction in our work force, no planned cost of living salary increases, minimal capital replacement efforts, suspension of the City's required Maintenance of Effort contribution until fiscal year 2005/2006 and no additional authorized personnel. In addition, the City is also reviewing ways in which it could improve its revenue base including continued review of ongoing fees for service charges. These are just some of the initiatives undertaken by the City to help strengthen its economic future.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city council, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact:

City of Tempe  
Financial Services Department  
Accounting Division  
20 E. Sixth Street  
Tempe, AZ 85281  
(480) 350-8350

**City of Tempe, Arizona**  
**Statement of Net Assets**  
**June 30, 2003**

<b><u>Assets</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Pooled cash and investments	\$ 221,874,152	\$ 85,110,627	\$ 306,984,779
Receivables:			
Taxes	10,280,393	-	10,280,393
Accounts, net	2,494,239	6,405,395	8,899,634
Accrued interest	1,231,941	526,427	1,758,368
Due from other governments	5,739,238	220,209	5,959,447
Inventories	926,349	537,633	1,463,982
Prepaid items	363,816	-	363,816
Restricted cash and investments	21,696,342	8,172,552	29,868,894
Special assessment receivables	18,514,855	-	18,514,855
Capital improvement notes receivable	-	3,654,755	3,654,755
Equity in joint venture	-	77,246,630	77,246,630
Capital assets (net of accumulated depreciation):			
Land	45,103,658	9,935,732	55,039,390
Buildings	89,177,012	35,831,853	125,008,865
Infrastructure	386,233,670	85,239,168	471,472,838
Improvements	35,945,019	43,961,244	79,906,263
Machinery and equipment	38,782,284	10,529,746	49,312,030
Construction in progress	23,002,378	7,227,605	30,229,983
Total assets	<u>901,365,346</u>	<u>374,599,576</u>	<u>1,275,964,922</u>
<b><u>Liabilities</u></b>			
Accounts payable	27,117,532	3,190,663	30,308,195
Deposits	5,419,980	856,107	6,276,087
Accrued expenses	9,504,477	2,374,448	11,878,925
Due to other governments	51,839	-	51,839
Deferred revenue	3,006,826	80,000	3,086,826
Liabilities payable from restricted assets	9,763,487	8,130,795	17,894,282
Long-term liabilities:			
Special assessment debt with a governmental commitment	18,520,000	-	18,520,000
Due within one year	9,600,000	6,715,000	16,315,000
Due in more than one year	169,333,659	91,385,000	260,718,659
Total liabilities	<u>252,317,800</u>	<u>112,732,013</u>	<u>365,049,813</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	440,494,223	171,881,978	612,376,201
Restricted for:			
Transit	72,013,232	-	72,013,232
Cultural and recreation	16,492,104	-	16,492,104
Highways and streets	7,613,868	-	7,613,868
Court enhancements	623,958	-	623,958
Debt Service	38,570,962	8,130,795	46,701,757
Unrestricted	73,239,199	81,854,790	155,093,989
Total net assets	<u>\$ 649,047,546</u>	<u>\$ 261,867,563</u>	<u>\$ 910,915,109</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona  
Statement of Activities  
For the Year Ended June 30, 2003**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
Police	\$ 47,729,305	\$ 833,378	\$ 923,257	\$ -
Fire	15,103,049	334,773	299,364	-
Community services	20,307,801	4,996,644	656,269	-
Public works	57,917,031	4,112,610	1,307,181	4,519,497
Community relations	2,845,176	-	-	-
Mayor and council	579,089	-	-	-
City manager	918,556	-	-	-
City clerk and elections	433,922	-	-	-
City attorney	2,027,045	-	-	-
Municipal courts	3,230,817	2,711,225	-	-
Development services	18,760,209	2,808,889	10,254,576	-
Economic development	3,245,906	238,226	-	579,180
Financial services	5,404,942	1,469,142	50,050	-
Human resources	3,762,782	-	-	-
Information technology	4,185,163	-	-	-
Non-departmental	14,852,873	83,938	-	-
Interest on long-term debt	6,956,107	-	-	-
Total governmental activities	<u>208,259,773</u>	<u>17,588,825</u>	<u>13,490,697</u>	<u>5,098,677</u>
<b>Business-type activities:</b>				
Water/Wastewater	38,417,396	43,315,681	-	179,754
Refuse	10,205,570	10,496,774	-	-
Golf course	2,435,783	1,920,699	-	-
Total business-type activities	<u>51,058,749</u>	<u>55,733,154</u>	<u>-</u>	<u>179,754</u>
<b>Total government</b>	<u>\$ 259,318,522</u>	<u>\$ 73,321,979</u>	<u>\$ 13,490,697</u>	<u>\$ 5,278,431</u>

General revenues:  
Sales taxes  
State income taxes  
Property taxes  
Franchise taxes  
Auto-lieu taxes  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets- beginning  
Net assets- ending

(continued)

**City of Tempe, Arizona**  
**Statement of Activities**  
For the Year Ended June 30, 2003

**Net (Expense) Revenue and  
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (45,972,670)	\$ -	\$ (45,972,670)
(14,468,912)	-	(14,468,912)
(14,654,888)	-	(14,654,888)
(47,977,743)	-	(47,977,743)
(2,845,176)	-	(2,845,176)
(579,089)	-	(579,089)
(918,556)	-	(918,556)
(433,922)	-	(433,922)
(2,027,045)	-	(2,027,045)
(519,592)	-	(519,592)
(5,696,744)	-	(5,696,744)
(2,428,500)	-	(2,428,500)
(3,885,750)	-	(3,885,750)
(3,762,782)	-	(3,762,782)
(4,185,163)	-	(4,185,163)
(14,768,935)	-	(14,768,935)
(6,956,107)	-	(6,956,107)
<u>(172,081,574)</u>	<u>-</u>	<u>(172,081,574)</u>
-	5,078,039	5,078,039
-	291,204	291,204
-	(515,084)	(515,084)
<u>-</u>	<u>4,854,159</u>	<u>4,854,159</u>
<u>(172,081,574)</u>	<u>4,854,159</u>	<u>(167,227,415)</u>
112,724,512	-	112,724,512
16,882,535	-	16,882,535
21,269,140	-	21,269,140
1,476,718	-	1,476,718
6,247,543	-	6,247,543
2,898,356	900,524	3,798,880
1,469,345	481,297	1,950,642
171,977	(171,977)	-
<u>163,140,126</u>	<u>1,209,844</u>	<u>164,349,970</u>
<u>(8,941,448)</u>	<u>6,064,003</u>	<u>(2,877,445)</u>
<u>657,988,994</u>	<u>255,803,560</u>	<u>913,792,554</u>
<u>\$ 649,047,546</u>	<u>\$ 261,867,563</u>	<u>\$ 910,915,109</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona  
Balance Sheet  
Governmental Funds  
June 30, 2003**

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<b><u>Assets</u></b>				
Pooled cash and investments	\$ 63,916,437	\$ 49,050,027	\$ 12,625,804	\$ 115,273
Receivables:				
Taxes	7,076,969	2,246,931	472,530	-
Accounts	1,985,572	-	-	-
Accrued interest	1,001,619	137,808	-	-
Due from other funds	5,142,030	-	-	-
Due from other governments	1,129,116	1,128,826	-	-
Inventories	256,042	-	-	-
Prepaid items	324,089	39,727	-	-
Restricted cash and investments	58,534	-	8,374,000	517,611
Special assessments	-	-	-	18,514,855
Total assets	<u>\$ 80,890,408</u>	<u>\$ 52,603,319</u>	<u>\$ 21,472,334</u>	<u>\$ 19,147,739</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,392,913	\$ 3,479,098	\$ 10,674	\$ -
Deposits	5,273,083	-	-	-
Accrued expenditures	3,818,100	60,457	-	-
Claims and judgements	657,595	10,465	-	-
Due to other funds	-	-	-	-
Due to other governments	51,839	-	-	-
Deferred revenue	1,076,634	-	245,991	18,514,855
Matured bonds payable	-	-	5,615,000	-
Matured interest payable	-	-	2,128,965	517,554
Total liabilities	<u>14,270,164</u>	<u>3,550,020</u>	<u>8,000,630</u>	<u>19,032,409</u>
<b><u>Fund Balances</u></b>				
Fund balances:				
Reserved for:				
Encumbrances	2,369,385	14,540	-	-
Inventories and prepaid items	580,131	39,727	-	-
Debt Service	-	-	13,471,704	115,330
Unreserved, designated (see note 17)	29,197,458	-	-	-
Unreserved, reported in:				
General fund	34,473,270	-	-	-
Special revenue funds	-	48,999,032	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>66,620,244</u>	<u>49,053,299</u>	<u>13,471,704</u>	<u>115,330</u>
Total liabilities and fund balances	<u>\$ 80,890,408</u>	<u>\$ 52,603,319</u>	<u>\$ 21,472,334</u>	<u>\$ 19,147,739</u>

(continued)

**City of Tempe, Arizona  
Balance Sheet  
Governmental Funds  
June 30, 2003**

<b>Performing Arts Capital Projects</b>	<b>Transit Capital Projects</b>	<b>Community Development Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 26,704,438	\$ 14,084,651	\$ 48,133,412	\$ 214,630,042
-	-	-	483,963	10,280,393
-	-	500,000	8,667	2,494,239
-	-	-	92,514	1,231,941
-	-	-	-	5,142,030
-	124,851	-	3,356,445	5,739,238
-	-	-	670,307	926,349
-	-	-	-	363,816
12,486,003	-	-	260,194	21,696,342
-	-	-	-	18,514,855
<u>\$ 12,486,003</u>	<u>\$ 26,829,289</u>	<u>\$ 14,584,651</u>	<u>\$ 53,005,502</u>	<u>\$ 281,019,245</u>
\$ 1,785,136	\$ 3,869,356	\$ 12,061,982	\$ 2,284,121	\$ 26,883,280
-	-	50,669	96,228	5,419,980
-	-	-	435,735	4,314,292
-	-	-	32,080	700,140
5,066,560	-	-	75,470	5,142,030
-	-	-	-	51,839
-	-	-	2,984,368	22,821,848
-	-	-	760,000	6,375,000
-	-	-	741,968	3,388,487
<u>6,851,696</u>	<u>3,869,356</u>	<u>12,112,651</u>	<u>7,409,970</u>	<u>75,096,896</u>
5,639,250	13,320,217	548,884	8,184,646	30,076,922
-	-	-	670,307	1,290,165
-	-	-	-	13,587,034
-	-	-	-	29,197,458
-	-	-	-	34,473,270
-	-	-	18,313,765	67,312,797
(4,943)	9,639,716	1,923,116	18,426,814	29,984,703
<u>5,634,307</u>	<u>22,959,933</u>	<u>2,472,000</u>	<u>45,595,532</u>	<u>205,922,349</u>
<u>\$ 12,486,003</u>	<u>\$ 26,829,289</u>	<u>\$ 14,584,651</u>	<u>\$ 53,005,502</u>	<u>\$ 281,019,245</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona  
Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
June 30, 2003**

Fund balances- total governmental funds	\$205,922,349
Amounts reported for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	618,244,021
Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds.	(22,458)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore, are not reported in the governmental funds.	(196,753,519)
Other long-term assets are not available to pay current-period expenditures and, therefore are offset by deferred revenue in the funds.	19,837,480
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.	<u>1,819,673</u>
Net assets of governmental activities	<u><u>\$649,047,546</u></u>

The notes to the financial statements are an integral part of this statement.



**City of Tempe, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2003**

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<b>Revenues:</b>				
Taxes:				
Sales taxes	\$ 59,368,917	\$ 25,140,826	\$ -	\$ -
Property taxes	7,952,003	-	13,357,236	-
Franchise taxes	1,476,718	-	-	-
Intergovernmental:				
Federal grants	1,473	436,710	-	-
State grants	-	-	-	-
State sales tax	12,405,713	-	-	-
State income tax	16,882,535	-	-	-
Auto lieu tax	6,247,543	-	-	-
Other	-	5,408,764	-	-
Investment income	1,606,920	919,457	68,139	-
Charges for services	7,284,267	-	-	-
Fines and forfeitures	5,510,476	67,350	-	-
Other entities' participation	-	-	-	-
Special assessments	-	-	-	2,835,480
Licenses and permits	1,263,163	-	-	-
Miscellaneous	2,219,590	2,475	11,573	3,691
Total revenues	<u>122,219,318</u>	<u>31,975,582</u>	<u>13,436,948</u>	<u>2,839,171</u>
<b>Expenditures:</b>				
Current:				
Police	44,356,086	-	-	-
Fire	14,622,823	-	-	-
Community services	17,476,733	-	-	-
Public works	12,981,893	20,491,784	-	-
Community relations	2,904,697	-	-	-
Mayor and council	579,089	-	-	-
City manager	944,568	-	-	-
City clerk and elections	442,615	-	-	-
City attorney	2,121,212	-	-	-
Municipal courts	2,969,709	-	-	-
Development services	6,804,235	-	-	-
Economic development	957,240	-	-	-
Financial services	5,151,110	-	-	-
Human resources	3,797,137	-	-	-
Information technology	990,568	-	-	-
Non-departmental	9,197,356	-	-	-
Debt service:				
Principal retirement	-	-	5,615,000	1,730,000
Interest and fiscal fees	-	527	4,237,282	1,132,924
Capital outlay	-	-	-	-
Total expenditures	<u>126,297,071</u>	<u>20,492,311</u>	<u>9,852,282</u>	<u>2,862,924</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(4,077,753)</u>	<u>11,483,271</u>	<u>3,584,666</u>	<u>(23,753)</u>
<b>Other financing sources (uses):</b>				
Transfers in	5,465,167	522,807	4,000,000	-
Transfers out	(13,208,000)	(3,942,944)	(6,236,389)	-
Issuance of debt	-	-	-	-
Capital lease proceeds	990,569	-	-	-
Proceeds of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(6,752,264)</u>	<u>(3,420,137)</u>	<u>(2,236,389)</u>	<u>-</u>
Net change in fund balances	(10,830,017)	8,063,134	1,348,277	(23,753)
Fund balance at beginning of year	77,450,261	40,990,165	12,123,427	139,083
Fund balance at end of year	<u>\$ 66,620,244</u>	<u>\$ 49,053,299</u>	<u>\$ 13,471,704</u>	<u>\$ 115,330</u>

(continued)

**City of Tempe, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2003**

Performing Arts Capital Projects	Transit Capital Projects	Community Development Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 5,524,027	\$ 90,033,770
-	-	-	40,038	21,349,277
-	-	-	-	1,476,718
-	1,150,344	-	10,461,599	12,050,126
-	60,000	-	978,165	1,038,165
-	-	-	10,285,029	22,690,742
-	-	-	-	16,882,535
-	-	-	-	6,247,543
-	-	3,214	1,900,295	7,312,273
28,622	-	-	275,218	2,898,356
-	-	-	376,205	7,660,472
-	-	-	481,118	6,058,944
-	-	25,000	369,803	394,803
-	-	-	-	2,835,480
-	-	-	-	1,263,163
-	9,919	2,352	556,730	2,806,330
<u>28,622</u>	<u>1,220,263</u>	<u>30,566</u>	<u>31,248,227</u>	<u>202,998,697</u>
-	-	-	931,311	45,287,397
-	-	-	321,438	14,944,261
-	-	-	1,101,526	18,578,259
-	-	-	7,430,748	40,904,425
-	-	-	-	2,904,697
-	-	-	-	579,089
-	-	-	-	944,568
-	-	-	-	442,615
-	-	-	-	2,121,212
-	-	-	172,779	3,142,488
-	-	-	11,114,909	17,919,144
-	-	-	1,999,023	2,956,263
-	-	-	-	5,151,110
-	-	-	-	3,797,137
-	-	-	-	990,568
-	-	-	-	9,197,356
-	-	-	760,000	8,105,000
-	-	-	1,925,517	7,296,250
11,835,414	9,089,289	20,902,189	16,225,157	58,052,049
<u>11,835,414</u>	<u>9,089,289</u>	<u>20,902,189</u>	<u>41,982,408</u>	<u>243,313,888</u>
<u>(11,806,792)</u>	<u>(7,869,026)</u>	<u>(20,871,623)</u>	<u>(10,734,181)</u>	<u>(40,315,191)</u>
23,266	3,634,100	11,971,182	6,831,099	32,447,621
-	-	(359,528)	(8,528,783)	(32,275,644)
15,500,000	-	-	19,720,000	35,220,000
-	-	-	-	990,569
-	-	-	40,931,700	40,931,700
-	-	-	(40,500,000)	(40,500,000)
<u>15,523,266</u>	<u>3,634,100</u>	<u>11,611,654</u>	<u>18,454,016</u>	<u>36,814,246</u>
3,716,474	(4,234,926)	(9,259,969)	7,719,835	(3,500,945)
1,917,833	27,194,859	11,731,969	37,875,697	209,423,294
<u>\$ 5,634,307</u>	<u>\$ 22,959,933</u>	<u>\$ 2,472,000</u>	<u>\$ 45,595,532</u>	<u>\$ 205,922,349</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2003**

Net change in fund balances- total governmental funds	\$ (3,500,945)
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	364,924
Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	(3,852,349)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	24,252,582
Lease payments are reported as expenditures in the governmental funds when paid. For the city as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the acquisition of new leases increase the liability. This is the amount by which principal payments exceed new capital leases.	424,807
Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year amortization exceeds current year bond issuance costs.	340,143
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which the bond proceeds exceeded the retirement in the current period.	(27,256,248)
The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>285,638</u>
Changes in net assets of governmental activities	<u><u>\$ (8,941,448)</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona  
General Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance- Budget to Actual  
For the Year Ended June 30, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 71,944,778	\$ 71,944,778	\$ 68,797,638	\$ (3,147,140)
Intergovernmental	34,724,000	34,724,000	35,537,264	813,264
Investment income	4,400,000	4,400,000	1,606,920	(2,793,080)
Charges for services	6,196,400	6,196,400	7,284,267	1,087,867
Fines and forfeitures	4,177,272	4,177,272	5,510,476	1,333,204
Licenses and permits	1,048,550	1,048,550	1,263,163	214,613
Miscellaneous	2,053,100	2,053,100	2,219,590	166,490
Total revenues	<u>124,544,100</u>	<u>124,544,100</u>	<u>122,219,318</u>	<u>(2,324,782)</u>
<b>Expenditures</b>				
Police	45,140,592	44,790,545	44,135,256	655,289
Fire	15,194,192	15,656,889	15,505,479	151,410
Community services	18,637,190	17,671,186	17,640,748	30,438
Public works	13,535,598	13,184,994	13,183,247	1,747
Community relations	2,532,450	2,993,795	2,884,570	109,225
Mayor and council	530,772	596,711	595,286	1,425
City Manager	1,085,408	971,700	970,075	1,625
City clerk and elections	467,326	443,807	443,317	490
City attorney	2,492,332	2,126,843	2,126,581	262
Municipal courts	3,151,248	3,042,046	2,965,244	76,802
Development services	8,329,601	7,080,784	7,071,419	9,365
Economic development	622,002	1,030,150	1,023,545	6,605
Financial Services	5,130,562	5,138,573	5,131,367	7,206
Human resources	3,607,526	3,745,740	3,745,370	370
Information technology	-	893,434	893,434	-
Non-departmental	5,924,225	9,605,918	9,358,183	247,735
Total expenditures	<u>126,381,024</u>	<u>128,973,115</u>	<u>127,673,121</u>	<u>1,299,994</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	5,465,167	5,465,167
Transfers to other funds	(8,954,313)	(7,604,313)	(13,208,000)	(5,603,687)
Total other financing sources (uses)	<u>(8,954,313)</u>	<u>(7,604,313)</u>	<u>(7,742,833)</u>	<u>(138,520)</u>
Net change in fund balance	<u>\$ (10,791,237)</u>	<u>\$ (12,033,328)</u>	<u>(13,196,636)</u>	<u>\$ (1,163,308)</u>

**Explanation of differences between budgetary revenues and expenditures,  
and GAAP revenues and expenditures:**

The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	11,374
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	2,358,697
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	<u>(3,452)</u>
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ (10,830,017)</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona**  
**Transit Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual**  
**For the Year Ended June 30, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 26,465,100	\$ 26,465,100	\$ 25,140,826	\$ (1,324,274)
Intergovernmental	5,148,000	5,148,000	5,845,474	697,474
Investment income	2,300,000	2,300,000	919,457	(1,380,543)
Fines and forfeitures	55,000	55,000	67,350	12,350
Miscellaneous	250,000	250,000	2,475	(247,525)
Total revenues	<u>34,218,100</u>	<u>34,218,100</u>	<u>31,975,582</u>	<u>(2,242,518)</u>
<b>Expenditures</b>				
Current:				
Public works	21,097,016	21,143,421	20,505,319	638,102
Contingency	449,232	449,232	-	449,232
Debt service:				
Interest and fiscal fees	-	-	527	(527)
Total expenditures	<u>21,546,248</u>	<u>21,592,653</u>	<u>20,505,846</u>	<u>1,086,807</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	297,500	297,500	522,807	225,307
Transfers to other funds	(26,512,944)	(26,512,944)	(3,942,944)	22,570,000
Total other financing sources (uses)	<u>(26,215,444)</u>	<u>(26,215,444)</u>	<u>(3,420,137)</u>	<u>22,795,307</u>
Net change in fund balance	<u>\$ (13,543,592)</u>	<u>(13,589,997)</u>	<u>8,049,599</u>	<u>\$ 21,639,596</u>

**Explanation of differences between budgetary revenues and expenditures,  
and GAAP revenues and expenditures:**

The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(1,184)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	14,540
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	179
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 8,063,134</u>

The notes to the financial statements are an integral part of this statement.



City of Tempe, Arizona  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total	
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 83,705,486	\$ 428,753	\$ 976,388	\$ 85,110,627	\$ 7,244,110
Restricted cash and investments	8,044,662	-	127,890	8,172,552	-
Accounts receivable, net	5,621,095	784,300	-	6,405,395	-
Accrued interest receivable	464,521	48,593	13,313	526,427	-
Due from other governments	220,209	-	-	220,209	-
Inventories	537,633	-	-	537,633	-
Total current assets	<u>98,593,606</u>	<u>1,261,646</u>	<u>1,117,591</u>	<u>100,972,843</u>	<u>7,244,110</u>
Noncurrent assets:					
Capital improvement notes receivable	3,654,755	-	-	3,654,755	-
Equity in joint venture	77,246,630	-	-	77,246,630	-
Capital Assets:					
Land	9,573,184	-	362,548	9,935,732	-
Buildings	45,992,418	1,265,783	1,822,663	49,080,864	-
Infrastructure	167,903,618	-	-	167,903,618	-
Improvements	78,641,605	-	4,469,560	83,111,165	-
Machinery and equipment	23,446,593	14,530,685	1,209,588	39,186,866	-
Construction in progress	7,173,553	-	54,052	7,227,605	-
Less accumulated depreciation	<u>(148,192,667)</u>	<u>(11,701,023)</u>	<u>(3,826,812)</u>	<u>(163,720,502)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	184,538,304	4,095,445	4,091,599	192,725,348	-
Total noncurrent assets	<u>265,439,689</u>	<u>4,095,445</u>	<u>4,091,599</u>	<u>273,626,733</u>	<u>-</u>
Total assets	<u>\$ 364,033,295</u>	<u>\$ 5,357,091</u>	<u>\$ 5,209,190</u>	<u>\$ 374,599,576</u>	<u>\$ 7,244,110</u>

(continued)

City of Tempe, Arizona  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total	
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 2,806,828	\$ 326,304	\$ 57,531	\$ 3,190,663	\$ 234,252
Deposits	841,192	14,915	-	856,107	-
Accrued expenses	1,768,869	451,400	154,179	2,374,448	5,190,185
Deferred Revenue	-	-	80,000	80,000	-
Total current liabilities	<u>5,416,889</u>	<u>792,619</u>	<u>291,710</u>	<u>6,501,218</u>	<u>5,424,437</u>
Current liabilities payable from restricted assets:					
Accrued interest payable	1,922,905	-	17,890	1,940,795	-
General obligation bonds- current	6,080,000	-	-	6,080,000	-
Tempe Municipal Property Corporation bonds payable	-	-	110,000	110,000	-
Total current liabilities payable from restricted assets	<u>8,002,905</u>	<u>-</u>	<u>127,890</u>	<u>8,130,795</u>	<u>-</u>
Noncurrent liabilities:					
General obligation bonds payable	97,580,000	-	-	97,580,000	-
Tempe Municipal Property Corporation bonds payable	-	-	520,000	520,000	-
Total noncurrent liabilities	<u>97,580,000</u>	<u>-</u>	<u>520,000</u>	<u>98,100,000</u>	<u>-</u>
Total liabilities	<u>110,999,794</u>	<u>792,619</u>	<u>939,600</u>	<u>112,732,013</u>	<u>5,424,437</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	164,324,934	4,095,445	3,461,599	171,881,978	-
Restricted:					
Debt service	8,002,905	-	127,890	8,130,795	-
Unrestricted	80,705,662	469,027	680,101	81,854,790	1,819,673
Total net assets	<u>\$ 253,033,501</u>	<u>\$ 4,564,472</u>	<u>\$ 4,269,590</u>	<u>\$ 261,867,563</u>	<u>\$ 1,819,673</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	
Operating revenues:				
Charges for services	\$43,315,681	\$10,496,774	\$1,920,699	\$55,733,154
Miscellaneous	427,248	48,976	5,073	481,297
Total operating revenues	<u>43,742,929</u>	<u>10,545,750</u>	<u>1,925,772</u>	<u>56,214,451</u>
Operating expenses:				
Personal services	9,552,063	3,516,293	1,006,114	14,074,470
Supplies and materials	1,378,002	375,566	283,000	2,036,568
Fees and services	12,799,530	5,394,810	739,196	18,933,536
Depreciation	9,009,382	918,901	369,679	10,297,962
Total operating expenses	<u>32,738,977</u>	<u>10,205,570</u>	<u>2,397,989</u>	<u>45,342,536</u>
Operating income (loss)	<u>11,003,952</u>	<u>340,180</u>	<u>(472,217)</u>	<u>10,871,915</u>
Nonoperating revenues (expenses):				
Investment income	885,752	2,726	12,046	900,524
Interest and fiscal fees	(3,914,725)	-	(37,794)	(3,952,519)
Net loss from joint venture	(1,763,694)	-	-	(1,763,694)
Income (loss) before operating transfers	<u>6,211,285</u>	<u>342,906</u>	<u>(497,965)</u>	<u>6,056,226</u>
Capital contributions	179,754	-	-	179,754
Transfers in	5,810,719	-	224,927	6,035,646
Transfers out	(6,183,636)	(23,987)	-	(6,207,623)
Change in net assets	<u>6,018,122</u>	<u>318,919</u>	<u>(273,038)</u>	<u>6,064,003</u>
Total net assets- beginning	<u>247,015,379</u>	<u>4,245,553</u>	<u>4,542,628</u>	<u>255,803,560</u>
Total net assets- ending	<u>\$253,033,501</u>	<u>\$4,564,472</u>	<u>\$4,269,590</u>	<u>\$261,867,563</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**

	Business-type Activities-Enterprise Funds				Total	Governmental Activities-Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total	Total	Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 44,260,819	\$ 10,541,909	\$ 2,005,772	\$ 56,808,500	\$	\$ 16,661,357
Receipts from other funds	(9,352,814)	(3,481,743)	(1,004,318)	(13,838,875)	-	-
Payments to employees for services	(13,306,534)	(5,854,076)	(1,045,849)	(20,206,459)	-	-
Payment for settlement of claims	-	-	-	-	-	(16,356,507)
Net cash provided (used) by operating activities	<u>21,601,471</u>	<u>1,206,090</u>	<u>(44,395)</u>	<u>22,763,166</u>	<u>22,763,166</u>	<u>304,850</u>
Cash flows from noncapital financing activities:						
Transfers in	5,810,719	-	224,927	6,035,646	6,035,646	-
Transfers out	(6,183,636)	(23,987)	-	(6,207,623)	(6,207,623)	-
Net cash provided (used) by noncapital financing activities	<u>(372,917)</u>	<u>(23,987)</u>	<u>224,927</u>	<u>(171,977)</u>	<u>(171,977)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	25,100,000	-	-	25,100,000	25,100,000	-
Principal paid on long-term debt	(7,890,000)	(129,393)	(105,000)	(8,124,393)	(8,124,393)	-
Interest and fiscal fees	(4,076,838)	-	(40,682)	(4,117,520)	(4,117,520)	-
Acquisition of capital assets, net	(10,170,698)	(659,465)	(101,129)	(10,931,292)	(10,931,292)	-
Capital contributions	179,754	-	-	179,754	179,754	-
Investment in joint venture	(10,563,302)	-	-	(10,563,302)	(10,563,302)	-
Net cash used by capital and related financing activities	<u>(7,421,084)</u>	<u>(788,858)</u>	<u>(246,811)</u>	<u>(8,456,753)</u>	<u>(8,456,753)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	944,308	3,811	12,123	960,242	960,242	-
Collection of notes receivable	325,451	-	-	325,451	325,451	-
Net cash provided by investing activities	<u>1,269,759</u>	<u>3,811</u>	<u>12,123</u>	<u>1,285,693</u>	<u>1,285,693</u>	<u>-</u>
Cash and cash equivalents in cash and cash equivalents at beginning of year	15,077,229	397,056	(54,156)	15,420,129	15,420,129	304,850
Cash and cash equivalents at end of year	76,672,919	31,697	1,158,434	77,863,050	77,863,050	6,939,260
Reconciliation of operating income (loss) to net cash provided by operating activities:	<u>\$ 91,750,148</u>	<u>\$ 428,753</u>	<u>\$ 1,104,278</u>	<u>\$ 93,283,179</u>	<u>\$ 93,283,179</u>	<u>\$ 7,244,110</u>
Operating income (loss)	\$ 11,003,952	\$ 340,180	\$ (472,217)	\$ 10,871,915	\$ 10,871,915	\$ 285,638
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	9,009,382	918,901	369,679	10,297,962	10,297,962	-
Change in assets and liabilities:						
(Increase) decrease in receivables	517,890	(3,841)	-	514,049	514,049	-
(Increase) decrease in inventories	(73,226)	-	-	(73,226)	(73,226)	-
Increase (decrease) in deposits	56,608	(14,701)	-	41,907	41,907	-
Increase (decrease) in payables	887,616	(68,999)	56,347	874,964	874,964	-
Increase (decrease) in accrued expenses	199,249	34,550	1,796	235,595	235,595	-
Net cash provided (used) by operating activities	<u>\$ 21,601,471</u>	<u>\$ 1,206,090</u>	<u>\$ (44,395)</u>	<u>\$ 22,763,166</u>	<u>\$ 22,763,166</u>	<u>\$ 19,212</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	\$ (1,763,694)	\$ -	\$ -	\$ (1,763,694)	\$ (1,763,694)	\$ -
Total noncash investing, capital, and financing activities:	<u>\$ (1,763,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,763,694)</u>	<u>\$ (1,763,694)</u>	<u>\$ -</u>





The City of Tempe, Arizona (the "City") was incorporated on November 26, 1894. On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government and provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, public improvements, planning and zoning, and general and administrative.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying summary of the City's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units.

##### **A. Reporting Entity**

The accompanying basic financial statements include the City and all its component units, collectively referred to as "the financial reporting entity". In accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14, the component units discussed below have been included in the City's financial reporting entity because of the significance of their financial relationships with the City.

**City of Tempe Municipal Property Corporation:** The Tempe Municipal Property Corporation (the "Municipal Property Corporation") is a nonprofit corporation organized under the laws of the State of Arizona to assist the City in financing its capital improvements projects.

**Tempe Sports Authority Corporation:** The Tempe Sports Authority Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the express purpose of aiding and assisting the City in financing municipal facilities.

**Rio Salado Community Facilities District:** The Rio Salado Community Facilities District (CFD) was organized on February 20, 1997, under the laws of the State of Arizona to facilitate development of the Rio Salado Town Lake project.

Data for these component units have been included in the City's basic financial statements utilizing the "blending" method because their sole purpose is to finance public facilities for the City. Blending involves aggregating the component units' data and data from the City at the government-wide and fund financial statement level. Separately issued financial statements are not available for the City's component units.

##### **B. Basic Financial Statements - GASB No. 34**

The basic financial statements include both government-wide (based on the City as a whole and its component units) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Basic Financial Statements - GASB No. 34** (Continued)

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

**C. Basis of Presentation**

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

**Governmental Fund Types**

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

Governmental Funds include the following fund types:

**General** - The General Fund is the general operating fund of the City. It is used to account for all activities of the City not accounted for in some other fund.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

**Governmental Fund Types (Continued)**

**Special Revenue** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally or otherwise restricted to expenditures for specified purposes. There is one special revenue fund presented as a major fund in the basic financial statements, it is as follows:

**Transit Special Revenue Fund** - accounts for the receipt and expenditures of the Transit Tax monies. These monies are restricted to financing transit operations and improvements.

**Debt Service** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long term debt not being accounted for in the Special Revenue Funds and Enterprise Funds. Both debt service funds are presented as major funds in the basic financial statements:

**General Obligation Debt Service Fund** - accounts for the accumulation of resources and payments of general obligation debt.

**Special Assessment Debt Service Fund** - accounts for the accumulation of resources and payments of special assessment debt.

**Capital Projects** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Three capital project funds are presented as major funds in the basic financial statements:

**Performing Arts Capital Projects Fund** - used for the construction of the performing and visual arts center.

**Transit Capital Projects Fund** - used for the acquisition of buses, the light rail system, and other traffic flow improvements.

**Community Development Capital Projects Fund** - used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.

**Proprietary Fund Types**

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. Each proprietary fund is reported as a major fund in the basic financial statements.

Proprietary funds include the following fund types:

**Enterprise** - Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses - where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

**Equity in Joint Venture** - The equity method is used to account for the City's equity interest in a joint venture (See Note 8). Under this method, the equity interest is recorded in the balance sheet as a single amount. In addition, the City's share of the net income or loss is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds, as a nonoperating revenue or expense.

The following enterprise funds are used by the City:

**Water and Wastewater Fund** – accounts for the provision of water and sewer services to the residents of the City and some residents in the adjoining Town of Guadalupe. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

**Refuse Fund** – accounts for the provision of refuse collection and disposal services for both residential and commercial customers. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, billing and collection.

**Golf Course Fund** - accounts for the operation of the Rolling Hills and Ken McDonald golf courses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

**Internal Service** - Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

**Risk Management Fund** – accounts for expenses incurred for worker's compensation, automobile liability, general liability, and property claims under the City's self-insurance program.

**Health Fund** – accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the governmental fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

GASB No. 20 requires that governments with proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies, require the same treatment for the government-wide financial statements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989 for the government-wide or proprietary fund financial statements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Measurement Focus and Basis of Accounting** (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

**E. Budgetary Data**

Even though Tempe has adopted a biennial budget plan, State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted by resolution each fiscal year for the General, Special Revenue (except Grants and Court Awards), Debt Service (except Special Assessments), and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued biennial budget may be obtained from the City's Financial Services Department, Budget and Research Division, 20 East Sixth Street, Tempe, Arizona, 85280.

Certain differences as described in Note 3 exist between the basis of accounting used for budgetary purposes and that used for reporting purposes in accordance with GAAP.

The legal level of budgetary control is the total operating budget as adopted. Management may amend the budget at any level below the total operating budget as adopted. The total operating budget can only be amended by the City Council subject to limitations in the State law (see Note 1F). At the end of each fiscal year, all amounts encumbered are reappropriated as part of the following year's operating budget. Any appropriations that are either unexpended or unencumbered lapse at fiscal year-end. No supplemental appropriations were necessary during the year.

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:

- 1) Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenues and expenditures.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to July 1, the budget is legally enacted through passage of a resolution.

**F. Expenditure Limitation**

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimate Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2002-2003 Expenditure Limitation is \$232,408,667.

Local governments may carryforward to later years revenues, which are not subject to the expenditure limitation and were not expended in the year of receipt.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Pooled Cash and Investments**

Cash resources of the City are combined to form a pool of cash and investments managed by the Accounting Division. Excluded from this pool are certain legally restricted cash resources. In accordance with the City's legally adopted budget, the interest earned on pooled investments is recorded in the General Fund, except for the earnings of Enterprise Funds and other funds whose interest earnings are specifically mandated by law or an outside regulating agency to remain in those funds. Investments are stated at fair value.

The City's investment policy permits investment in the following instruments:

- 1) Obligations of the United States Government, its agencies and instrumentalities;
- 2) Fully insured or collateralized certificates of deposit and other evidences of deposit at banks and savings and loan associations;
- 3) Bankers' acceptances issued by the 10 largest domestic banks and the 20 largest international banks, provided collateral meets the standards set by the Financial Services Manager;
- 4) A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by U.S. government securities;
- 5) Repurchase agreements whose underlying collateral consist of the foregoing;
- 6) Money market funds whose portfolios consist of the foregoing; and
- 7) The State of Arizona's Local Government Investment Pool.

**H. Receivables**

For accounts receivable (utility billing receivables), all amounts outstanding in excess of 120 days are included in the allowance.

**I. Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption. The Enterprise Fund inventory and the auto parts inventory in the General Fund are valued at average cost. Other inventories in the General Fund and inventory in the Special Revenue Funds are valued at cost as determined on the first-in first-out ("FIFO") basis. Inventories are accounted for using the consumption method.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.

**J. Restricted Assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

**K. Capital Assets**

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Capital Assets** (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	30-70
Improvements	10-50
Machinery and equipment	5-20
Infrastructure	20-100

**L. Compensated Absences**

Accumulated unpaid vacation, vested sick pay and vested "Mediflex" supplementary health maintenance benefits are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees.

Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years service are eligible for compensation of up to 50 percent (not more than 240 hours) of accumulated sick leave.

Each employee with 3 years service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and increase up to a maximum of \$650 a year. Unused credits are cumulative and upon employee termination are "banked" at the following rates: after 10 years, 50 percent; after 15 years, 75 percent; after 20 years, 100 percent.

**M. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Interfund Transactions**

Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of water, sewer and refuse services to other City departments and the internal service risk management or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

**O. Fund Equity**

In the fund financial statements, reserved fund equity is defined as that portion of fund equity that has legally been segregated for specific purposes. Designated fund equity is defined as that portion of fund equity for which the City has made tentative plans for future use of financial resources. Unreserved/Undesignated fund equity is defined as that portion of fund equity, which is available for use in a future period.

**P. Statements of Cash Flows**

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. For the purposes of the statement of cash flows, all pooled cash and investments are also considered to be cash equivalents, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits. In a statement of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

**Q. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.



**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Total fund balances of the City's governmental funds differ from net assets of governmental activities reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

	Balance Sheet/Statement of Net Assets				Statement of Net Assets
	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	
<b>Assets</b>					
Pooled cash and investments	\$214,630,042	\$ -	\$7,244,110	\$ -	\$221,874,152
Receivables:					
Taxes	10,280,393	-	-	-	10,280,393
Accounts	2,494,239	-	-	-	2,494,239
Accrued interest	1,231,941	-	-	-	1,231,941
Due from other funds	5,142,030	-	-	(5,142,030)	-
Due from other governments	5,739,238	-	-	-	5,739,238
Inventories	926,349	-	-	-	926,349
Prepaid Items	363,816	-	-	-	363,816
Restricted cash and investments	21,696,342	-	-	-	21,696,342
Special assessments	18,514,855	-	-	-	18,514,855
Capital assets (net):	-	618,244,021	-	-	618,244,021
Total assets	<u>281,019,245</u>	<u>618,244,021</u>	<u>7,244,110</u>	<u>(5,142,030)</u>	<u>901,365,346</u>
<b>Liabilities</b>					
Accounts payable	26,883,280	-	234,252	-	27,117,532
Deposits	5,419,980	-	-	-	5,419,980
Accrued expenditures	4,314,292	-	5,190,185	-	9,504,477
Claims and judgements (less than 1 year)	700,140	-	-	-	700,140
Due to other funds	5,142,030	-	-	(5,142,030)	-
Due to other governments	51,839	-	-	-	51,839
Deferred revenue	22,821,848	(19,815,022)	-	-	3,006,826
Matured bonds payable (restricted)	6,375,000	-	-	-	6,375,000
Matured interest payable (restricted)	3,388,487	-	-	-	3,388,487
Capital Leases	-	7,436,279	-	-	7,436,279
Capital improvement notes payable	-	10,289,754	-	-	10,289,754
Long term debt	-	166,265,000	-	-	166,265,000
Compensated absences (greater than 1 year)	-	10,421,893	-	-	10,421,893
Claims and judgements (greater than 1 year)	-	2,340,593	-	-	2,340,593
Total liabilities	<u>75,096,896</u>	<u>176,938,497</u>	<u>5,424,437</u>	<u>(5,142,030)</u>	<u>252,317,800</u>



**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)**

**Fund balance/net assets**

Total fund balance/net assets	205,922,349	441,305,524	1,819,673	-	649,047,546
Total liabilities and fund balances/net assets	<u>\$281,019,245</u>	<u>\$618,244,021</u>	<u>\$7,244,110</u>	<u>\$(5,142,030)</u>	<u>\$901,365,346</u>

(1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$912,968,262
Accumulated depreciation	<u>(294,724,241)</u>
	<u>\$618,244,021</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	\$ (10,421,893)
Claims and judgements	(2,340,593)
Bonds, capital improvement notes and capital leases	<u>(183,991,033)</u>
	<u>\$(196,753,519)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue for the long-term special assessment receivables shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred special assessment revenue	\$18,514,855
Deferred tax revenue	389,178
Deferred court revenue	933,447
Unamortized premium	<u>(22,458)</u>
	<u>\$19,815,022</u>

(2) Internal service funds are used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

	<u>\$1,819,673</u>
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**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The net change in fund balances for governmental funds differ from the change in net assets for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenditures (3)	Capital- related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Statement of Activities
<b>Revenues</b>						
Taxes:						
Sales taxes	\$90,033,770	\$ -	\$ -	\$ -	\$ -	\$90,033,770
Property taxes	21,349,277	(80,137)	-	-	-	21,269,140
Franchise taxes	1,476,718	-	-	-	-	1,476,718
Intergovernmental:						
Federal grants	12,050,126	-	-	-	-	12,050,126
State grants	1,038,165	-	-	-	-	1,038,165
State sales tax	22,690,742	-	-	-	-	22,690,742
State income tax	16,882,535	-	-	-	-	16,882,535
Auto lieu tax	6,247,543	-	-	-	-	6,247,543
Other	7,312,273	-	-	-	-	7,312,273
Investment income	2,898,356	-	-	-	-	2,898,356
Charges for services	7,660,472	(2,124,497)	-	-	-	5,535,975
Fines and forfeitures	6,058,944	-	-	-	-	6,058,944
Other entities' participation	394,803	-	-	-	-	394,803
Special assessments	2,835,480	(1,647,715)	-	-	-	1,187,765
Licenses and permits	1,263,163	-	-	-	-	1,263,163
Miscellaneous	2,806,330	-	-	-	-	2,806,330
<b>Total Revenues</b>	<b>202,998,697</b>	<b>(3,852,349)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,146,348</b>
<b>Expenditures/expenses</b>						
Current:						
Police	45,287,397	595,211	1,846,697	-	-	47,729,305
Fire	14,944,261	(368,023)	526,811	-	-	15,103,049
Community services	18,578,259	(85,460)	1,815,002	-	-	20,307,801
Public works	40,904,425	(83,580)	17,281,962	(185,776)	-	57,917,031
Community relations	2,904,697	13,346	(72,867)	-	-	2,845,176
Mayor and council	579,089	-	-	-	-	579,089
City manager	944,568	(32,391)	6,379	-	-	918,556
City clerk and elections	442,615	(9,904)	1,211	-	-	433,922
City attorney	2,121,212	(94,167)	-	-	-	2,027,045
Municipal courts	3,142,488	(5,875)	94,204	-	-	3,230,817
Development services	17,919,144	(191,005)	1,032,070	-	-	18,760,209
Economic development	2,956,263	16,145	273,498	-	-	3,245,906
Financial services	5,151,110	(35,146)	288,978	-	-	5,404,942
Human resources	3,797,137	(36,840)	2,485	-	-	3,762,782
Information technology	990,568	(47,235)	3,847,261	(605,431)	-	4,185,163
Non-departmental	9,197,356	-	6,855,776	(914,621)	(285,638)	14,852,873



**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)**

**Expenditures/expenses (Continued)**

Debt Service:						
Principal retirement	8,105,000	-	-	(8,105,000)	-	-
Interest and fiscal fees	7,296,250	-	-	(340,143)	-	6,956,107
Capital outlay	58,052,049	-	(58,052,049)	-	-	-
Total expenditures	<u>243,313,888</u>	<u>(364,924)</u>	<u>(24,252,582)</u>	<u>(10,150,971)</u>	<u>(285,638)</u>	<u>208,259,773</u>
<b>Other financing sources (uses)/changes in net assets</b>						
Operating transfers, net	171,977	-	-	-	-	171,977
Issuance of debt	35,220,000	-	-	(35,220,000)	-	-
Capital lease proceeds	990,569	-	-	(990,569)	-	-
Proceeds of refunding bonds	40,931,700	-	-	(40,931,700)	-	-
Payment to refunded bond Escrow agent	(40,500,000)	-	-	40,500,000	-	-
Total other financing sources (uses)/changes in net assets	<u>36,814,246</u>	<u>-</u>	<u>-</u>	<u>(36,642,269)</u>	<u>-</u>	<u>171,977</u>
Net change for the year	<u>\$(3,500,945)</u>	<u>\$(3,487,425)</u>	<u>\$24,252,582</u>	<u>\$(26,491,298)</u>	<u>\$285,638</u>	<u>\$ (8,941,448)</u>

(3) Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. The revenue is however recognized in the government-wide statements. At the time that the revenue is received, it is recorded in the governmental funds and reversed from the government-wide statements.

Property tax	\$ (80,137)
Court revenue	(2,124,497)
Special assessments received	<u>(1,647,715)</u>
	<u>\$(3,852,349)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual for compensated absences and long-term claims and judgements	<u>\$ 364,924</u>
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(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures	\$52,218,454
Depreciation expenses	<u>(27,965,872)</u>
Difference	<u>\$24,252,582</u>



**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (Continued)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**  
(Continued)

(5) Capital Lease Payments are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because the current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to the lessor. Conversely, capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, entering into capital leases increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Principal payments made	\$1,415,376
Capital lease agreements	<u>(990,569)</u>
Difference	<u>\$ 424,807</u>

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	\$849,758
Amortization of bond issuance costs	<u>(509,615)</u>
Difference	<u>\$340,143</u>

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	\$ 8,395,452
Payment made to refunding agent	<u>40,500,000</u>
	<u>\$48,895,452</u>

Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

General obligation bonds	\$(35,220,000)
Refunding general obligation bonds	<u>(40,931,700)</u>
	<u>\$(76,151,700)</u>

(6) Internal service funds are used by management to charge the costs of self-insurance to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

	<u>\$285,638</u>
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### NOTE 3 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. The actual results of operations, in accordance with state statutes ("budget basis") are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund and Transit Special Revenue Fund (major funds) to provide a meaningful comparison of actual results with the budget. Budgetary statements include a reconciliation of the adjustments required to convert the budgetary basis to GAAP basis.

The major differences between the budget and GAAP bases are:

- 1) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- 2) Certain revenues and expenditures not recognized in the budgetary year are accrued (GAAP).

### NOTE 4 - PROPERTY TAXES

Under Arizona law a two-tiered tax system exists: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second installment becomes delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase, which has not been redeemed, may demand of the County Treasurer a County Treasurer's Deed. Additionally, a lien against property assessed attaches on the first day of January preceding the assessment and levy thereof.

Using the accrual basis of accounting, property taxes are recognized as revenue when earned in the government-wide financial statements. In the governmental funds, property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August 2003 are not available for the current year; accordingly, such taxes will not be recognized as revenue until the subsequent fiscal year. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

### NOTE 5 - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Assets and on the Balance Sheet as "Pooled cash and investments." Pooled cash and investments are stated at fair value, with accrued interest shown under "Accrued interest receivable". The change in fair value of the investments is recorded in investment income. Restricted cash and investments are amounts held separately by trustees and segregated due to their source and future intent. Amounts held by trustees are invested in money market securities, maturing within one year from the time of purchase, and are reported at amortized cost.



**NOTE 5 - CASH AND INVESTMENTS (Continued)**

**Deposits**

At year-end, the carrying amount of the City's deposits with financial institutions was \$5,053,429 and the bank balance was \$9,198,126. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1) and \$8,998,126 was covered by collateral held in the pledging bank's trust department in the City's name (Category 2).

**Investments**

City Charter, Ordinance, and Trust Agreements authorize the City to invest in U.S. government, federal agency, and instrumentality obligations. In addition, the City may invest in certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements, and the State of Arizona's Local Government Investment Pools.

The City's investment in the State of Arizona Local Government Investment Pools (LGIP and LGIP-GOVT) is stated at fair value, which approximates the value of the City's pool shares. The LGIP and LGIP-GOVT are operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The State Treasurer's office is under the control of the Arizona State Legislature.

The City's investments at June 30, 2003 stated at fair value, are categorized below to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held or registered by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department in the City's name. Category 3 includes uninsured and unregistered investments for which the securities custodian is the counterparty.

	Category 1	Category 2	Category 3	Carrying Amount
U.S. Government Securities	\$131,706,009	\$64,077,530	\$ -	\$195,783,539
Repurchase Agreements	-	13,564,913	-	13,564,913
	<u>\$131,706,009</u>	<u>\$77,642,443</u>	<u>\$ -</u>	<u>209,348,452</u>

Investments in State of Arizona Local Government Investment Pools:

LGIP	45,721,561
LGIP-GOVT	62,193,914
Investments in Money Market Funds	14,536,317
Total Investments	<u>\$331,800,244</u>

**Reconciliation of pooled cash and investments as reported on the Government-wide Statement of Net Assets**

Carrying Amount of Investments	\$331,800,244
Carrying Amount of Cash Deposits	5,053,429
Total Pooled Cash and Investments	<u>\$336,853,673</u>
Pooled Cash and Investments – unrestricted	\$306,984,779
Restricted Cash and Investments	29,868,894
Total Pooled Cash and Investments	<u>\$336,853,673</u>

The City had a net decrease in the fair value of investments during fiscal year 2002/03 of \$5,784,705. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. Of the \$5,784,705 net decrease, \$4,213,677 represents the City's share of the loss on an investment within the State of Arizona Local Government Investment Pool.



**NOTE 6 - DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS**

Due to/from other funds consisted of the following at June 30, 2003:

	Due to	Due from
General Fund	\$ -	\$5,142,030
Performing Arts Capital Projects	5,066,560	-
Nonmajor Governmental	75,470	-
	<u>\$ 5,142,030</u>	<u>\$5,142,030</u>

The interfund balances at June 30, 2003 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2003 are expected to be repaid within one year.

**Transfers Out**

	Transfers Out							Total
	General	Transit Special Revenue	General Obligation Debt Service	Community Development Capital Projects	Nonmajor Govern- mental	Water and Wastewater	Refuse	
General	\$ -	\$ -	\$ -	\$ 31,133	\$ 12,500	\$5,402,547	\$18,987	\$ 5,465,167
Transit special revenue	-	-	-	232,650	290,157	-	-	522,807
General obligation	-	-	-	-	4,000,000	-	-	4,000,000
Performing arts	-	-	-	-	15,177	8,089	-	23,266
Transit capital projects	-	3,634,100	-	-	-	-	-	3,634,100
Community development capital projects	11,104,230	308,844	-	-	66,208	486,900	5,000	11,971,182
Nonmajor governmental	1,791,051	-	1,049,868	95,514	3,608,566	286,100	-	6,831,099
Water and wastewater	267,792	-	5,186,521	231	356,175	-	-	5,810,719
Golf	44,927	-	-	-	180,000	-	-	224,927
Total	<u>\$13,208,000</u>	<u>\$3,942,944</u>	<u>\$6,236,389</u>	<u>\$359,528</u>	<u>\$8,528,783</u>	<u>\$6,183,636</u>	<u>\$23,987</u>	<u>\$38,483,267</u>

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy. There were no significant transfers during fiscal year 2003 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

**NOTE 7 - CAPITAL IMPROVEMENT NOTES RECEIVABLE**

Capital improvement notes receivable represent loans to provide long-term financing for certain major capital improvement projects. Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds.

At June 30, 2003, capital improvement notes receivable totaled \$3,654,755 in the Water and Wastewater Fund. The notes bear interest at 4.00% (see Note 10).

**NOTE 8 - JOINT VENTURE**

The City currently participates in two joint ventures, the Subregional Operating Group and the Valley Metro Rail, Inc.

**Subregional Operating Group (SROG)**

The City participates with the cities of Phoenix, Mesa, Scottsdale, and Glendale in an intergovernmental agreement for the construction, operation and maintenance of jointly used facilities including the 91st Avenue Wastewater Treatment Plant, the Salt River Project Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. The City of Phoenix is the management agency who has agreed to be responsible for the planning,



**NOTE 8 - JOINT VENTURE** (Continued)

**Subregional Operating Group (SROG)** (Continued)

designing, constructing, operating and maintaining of the jointly used sewerage facilities and to perform the required accounting, administrative and other support functions.

The agreement provides for the formation of a Multicity Subregional Operating Group Committee ("Multicity SROG"), whose members are composed of a representative officially appointed upon motion and order of each city, for the specific purpose of making recommendations concerning specific decisions or courses of action for the jointly used facilities. The Multicity SROG annually reviews and approves the capital improvements and replacements budget and also the operating budget for the jointly used facilities.

As June 30, 2002 (the latest information available), the City has a 15% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, development fees and grants. The bonds are collateralized by a pledge of water revenues and are recorded in the Water and Wastewater Enterprise Fund. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2002 (the latest information available) is as follows (in thousands):

Total assets	\$443,476
Total liabilities	<u>(32,320)</u>
Total net assets	<u>\$411,156</u>
Total revenues	\$81,017
Total expenses	(42,711)
Total non-operating revenues (expenses)	<u>581</u>
Net increase in retained earnings	<u>\$38,887</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2003, was \$77,246,630. The City's net loss from joint venture was \$1,763,694 for the fiscal year ended June 30, 2003. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

**Valley Metro Rail, Inc. (VMRI)**

The City currently participates with the cities of Phoenix, Mesa and Glendale in a joint powers agreement for the design, construction and operation of a light rail transit system. The Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint powers agreement between the cities. The VMRI has oversight responsibility for the planning, designing, construction and operation of a regional mass transit light rail system. The agreement provides voting rights for members of the representative cities related to strategic initiatives including passage of an annual budget.



**NOTE 8 - JOINT VENTURE** (Continued)

**Valley Metro Rail, Inc. (VMRI)** (continued)

The City has an ongoing financial responsibility as a result of the joint venture to participate in the cost to construct and operate the light rail project less any Federal reimbursements and operating fares. The equity interests will be determined based on the number of rail mileage located within each City. The City expended \$6.4 million in the fiscal year ended June 30, 2003. These expenditures were reflected in the financial statements as capital outlay in the Transit Capital Projects fund. The joint venture does not report any allocated equity interest for any participating city at this time. Therefore, the City does not have an equity interest at June 30, 2003.

Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, AZ 85004.

**NOTE 9 - CAPITAL ASSETS**

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2003 is as follows:

	Balances June 30, 2002	Additions	Retirements	Transfers in (out)	Balances June 30, 2003
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$28,868,113	\$ 6,349,126	\$ -	\$ 9,886,419	\$ 45,103,658
Construction-in-progress	18,437,562	42,923,403	-	(38,358,587)	23,002,378
Total non-depreciable assets	<u>47,305,675</u>	<u>49,272,529</u>	<u>-</u>	<u>(28,472,168)</u>	<u>68,106,036</u>
Depreciable assets:					
Buildings	104,382,029	1,301,367	-	6,086,463	111,769,859
Infrastructure	578,938,962	-	-	4,791,733	583,730,695
Improvements	46,248,052	-	-	5,743,061	51,991,113
Machinery and equipment	84,627,661	1,648,304	(756,317)	11,850,911	97,370,559
Total depreciable assets	<u>814,196,704</u>	<u>2,949,671</u>	<u>(756,317)</u>	<u>28,472,168</u>	<u>844,862,226</u>
Accumulated depreciation:					
Buildings	(19,696,820)	(2,896,027)	-	-	(22,592,847)
Infrastructure	(184,106,816)	(13,390,209)	-	-	(197,497,025)
Improvements	(14,191,391)	(1,854,703)	-	-	(16,046,094)
Machinery and equipment	(49,515,913)	(9,824,933)	756,317	(3,746)	(58,588,275)
Total accumulated depreciation	<u>(267,510,940)</u>	<u>(27,965,872)</u>	<u>756,317</u>	<u>(3,746)</u>	<u>(294,724,241)</u>
Governmental activities capital assets, net	<u>\$593,991,439</u>	<u>\$24,256,328</u>	<u>\$ -</u>	<u>\$ (3,746)</u>	<u>\$618,244,021</u>



NOTE 9 - CAPITAL ASSETS (Continued)

	Balances June 30, 2002	Additions	Retirements	Transfers in (out)	Balances June 30, 2003
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$9,935,732	\$ -	\$ -	\$ -	\$ 9,935,732
Construction-in-progress	4,183,614	10,339,954	-	(7,295,963)	7,227,605
Total non-depreciable assets	14,119,346	10,339,954	-	(7,295,963)	17,163,337
Depreciable assets:					
Buildings	49,080,864	-	-	-	49,080,864
Infrastructure	166,258,144	-	-	1,645,474	167,903,618
Improvements	78,495,390	-	-	4,615,775	83,111,165
Machinery and equipment	38,313,314	591,338	(752,500)	1,034,714	39,186,866
Total depreciable assets	332,147,712	591,338	(752,500)	7,295,963	339,282,513
Accumulated depreciation:					
Buildings	(12,153,781)	(1,095,230)	-	-	(13,249,011)
Infrastructure	(78,955,863)	(3,708,587)	-	-	(82,664,450)
Improvements	(36,149,716)	(3,000,205)	-	-	(39,149,921)
Machinery and equipment	(26,915,680)	(2,493,940)	752,500	-	(28,657,120)
Total accumulated depreciation	(154,175,040)	(10,297,962)	752,500	-	(163,720,502)
Business-type activities capital assets, net	\$192,092,018	\$633,330	\$ -	\$ -	\$192,725,348

Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

Police	\$ 1,043,804
Fire	627,133
Community services	1,026,524
Public works	15,971,352
Community relations	21,148
City manager	6,379
City clerk and elections	1,211
Municipal courts	94,204
Development services	350,085
Economic development	17,761
Financial services	49,611
Human resources	2,485
Information technology	1,898,399
Non-departmental	6,855,776
Total depreciation expense	\$ 27,965,872



**NOTE 10 - LONG-TERM DEBT**

**General Obligation Bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2003, were as follows:

\$17,305,000 1993A Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$80,000 to \$5,035,000 through July 1, 2011; interest at 2.6% to 5.4%	\$14,870,000
\$14,000,000 1994 Capital Improvement Serial Bonds due in annual installments of \$280,000 to \$1,120,000 beginning July 1, 1995 through July 1, 2015; interest at 5.25% to 7.25%	2,620,000
\$26,300,000 1995 Capital Improvement Serial Bonds due in annual installments of \$800,000 to \$2,130,000 beginning July 1, 1997 through July 1, 2015; interest at 4.50% to 6.50%	19,465,000
\$14,500,000 1997 Capital Improvement Serial Bonds due in annual installments of \$300,000 to \$1,150,000 beginning July 1, 1998 through July 1, 2017; interest at 5.125% to 6.625%	11,665,000
\$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 beginning July 1, 2002 through July 1, 2010; interest at 4.25% to 4.90%	10,215,000
\$37,500,000 1998A Capital Improvement Serial Bonds due in annual installments of \$1,210,000 to \$2,755,000 beginning July 1, 1999 through July 1, 2018; interest at 4.00% to 5.50%	30,455,000
\$24,000,000 2001A Capital Improvement Serial Bonds due in annual installments of \$650,000 to \$1,630,000 beginning July 1, 2002 through July 1, 2021; interest at 4.50% to 6.00%	22,660,000
\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	9,895,000
\$22,000,000 2002A Capital Improvement Serial Bonds due in annual installments of \$690,000 to \$1,650,000 through July 1, 2022; interest at 3.5% to 5.0%	21,310,000
\$44,820,000 2003 Capital Improvement Serial Bonds due in annual installments of \$955,000 to \$3,340,000 through July 1, 2023; interest at 3.50% to 5.00%	<u>44,820,000</u>
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u><u>\$187,975,000</u></u>

**Special Assessment Bonds Payable with Governmental Commitment.** As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2003, the special assessments receivable of \$18,514,855, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. The City expects to collect assessments sufficient to cover the remaining \$5,145 beginning next fiscal year.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment outstanding at June 30, 2003, were as follows:

\$28,185,000 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985 through April 6, 1999; maturing through January 1, 2015; due in annual installments of \$5,000 to \$1,655,000; interest at 4.700% to 10.125%	<u><u>\$18,520,000</u></u>
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NOTE 10 - LONG-TERM DEBT (Continued)

**Tempe Municipal Property Corporation Bonds.** In 1992, the Corporation issued \$1,400,000 of excise tax revenue bonds. Proceeds were used to renovate and replace the irrigation system at the City's Ken McDonald Municipal Golf Course and pay costs incurred to issue the bonds.

The City has entered into contracts with the Corporation whereby the City will pay the Corporation amounts sufficient to retire the above Corporation bonds and related interest. The City has collateralized all the bonds of the Corporation by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

Tempe Municipal Property Corporation Bonds (TMPC) outstanding at June 30, 2003 are as follows:

\$1,400,000 1992 Excise Tax Revenue Bonds due in annual installments of \$70,000 to \$140,000 through July 1, 2007; interest rate at 5.5% to 7.1%; retirements are to a sinking fund account \$520,000

**Refunding Certificates of Participation.** On June 1, 1999, the City issued \$5,110,000 of Refunding Certificates of Participation (COP). The proceeds were used to refund \$4,775,000 of the 1989 Tempe Sports Authority Facilities Bonds (TSAF), and pay costs incurred to issue the certificates. The City has collateralized the obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

\$5,110,000 1999 Refunding Certificates of Participation due in annual installments of \$400,000 to \$625,000 through July 1, 2009; interest at 4.20% to 4.90% \$3,335,000

**Excise Tax Revenue Refunding Obligations.** On February 1, 2003, the City issued \$39,275,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$40,500,000 of the 1998 Variable Rate Demand Excise Tax Revenue Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$39,275,000 2003 Excise Tax Revenue Refunding Obligations due in annual installments of \$475,000 to \$2,950,000 through July 1, 2023; interest at 2.00% to 5.25% \$39,275,000



**NOTE 10 - LONG-TERM DEBT (Continued)**

**Excise Tax Revenue Refunding Obligations (Continued)**

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 1,340,000	\$ 1,749,741	\$ 3,089,741
2005	1,365,000	1,722,941	3,087,941
2006	1,395,000	1,692,229	3,087,229
2007	1,430,000	1,659,098	3,089,098
2008	1,470,000	1,620,488	3,090,488
2009-2013	8,415,000	7,024,340	15,439,340
2014-2018	10,450,000	4,991,902	15,441,902
2019-2020	13,410,000	2,027,752	15,437,752
	<u>\$39,275,000</u>	<u>\$ 22,488,491</u>	<u>\$ 61,763,491</u>

**Tempe Variable Rate Demand Excise Tax Revenue Obligations.** On September 1, 2002, the City entered into a purchase agreement with Landesbank Hessen-Thuringen, acting by and through its New York branch, to pay costs associated with the first phase of the Tempe Center for the Arts project. These costs were financed through the issuance of \$15,500,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by RBC Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value on the commencement date of such rate period equal to the principal amount thereof plus accrued and unpaid interest, if any, not to exceed 12%.

During the fiscal year ended June 30, 2003, the interest rate on these Obligations was reset on a daily basis and interest paid monthly. The City has the option of converting from the daily rate to either a weekly rate or a term rate, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with Landesbank Hessen-Thuringen. The stated expiration date of the standby obligation purchase agreement is October 15, 2007, with extension request options available to the City thereafter. Landesbank Hessen-Thuringen is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The quarterly fee paid to Landesbank Hessen-Thuringen for this liquidity support is an annualized rate of 0.15% of the average daily amount of available commitment for principal and interest. As of June 30, 2003, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

If the standby obligation purchase agreement were to be exercised and all outstanding obligations were purchased by Landesbank Hessen-Thuringen because they could not be remarketed, the maximum repayment liability would be \$14,909,510.



**NOTE 10 - LONG-TERM DEBT (Continued)**

**Tempe Variable Rate Demand Excise Tax Revenue Obligations (Continued)**

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2003 was 1.15%. The repayment of these bonds, assuming the current interest rate of 1.15% through final maturity, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 555,000	\$ 169,510	\$ 724,510
2005	585,000	163,128	748,128
2006	615,000	156,400	771,400
2007	650,000	149,328	799,328
2008	685,000	141,853	826,853
2009-2013	4,005,000	582,475	4,587,475
2014-2018	5,170,000	326,832	5,496,832
2019-2020	2,475,000	43,068	2,518,068
	\$14,740,000	\$ 1,732,594	\$ 16,472,594

The City has collateralized the bonds by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes, which it presently imposes, will continue to be imposed so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

**Capital Improvement Notes.** Capital improvement notes represent borrowings to provide long-term financing for certain major capital improvement program projects (see Note 7).

Capital improvement notes outstanding at June 30, 2003 were as follows:

\$11,440,000 capital improvement notes issued in 1990 due to the Water and Wastewater Enterprise Fund from the General Fund and Highway Users Special Revenue Fund and payable in equal annual installments through January 1, 2011; interest at 4.00%	\$ 3,654,755
\$17,310,000 2000A capital improvement excise tax obligations due in semi-annual payments from January 1, 2001, through July 1, 2002, and then annual payments from July 1, 2003, through July 1, 2016. A final payment is then due on July 1, 2020. Payments range from \$245,000 to \$2,880,000; interest at 4.825% to 5.625%.	6,635,000
Total capital improvement notes outstanding (excluding current portion of Enterprise Fund capital improvement notes outstanding)	\$10,289,755

The City has collateralized the 2000A capital improvement excise tax obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.



**NOTE 10 - LONG-TERM DEBT (Continued)**

**Capital Improvement Notes (Continued)**

During the fiscal year ended June 30, 2003, the City refinanced the 1990 capital improvement notes due to the Water and Wastewater Enterprise fund from the General Fund and Highway Users Special Revenue Fund from a 7.50% interest rate to a 4.00% interest rate.

The following is a summary of debt service cash requirements to maturity:

Fiscal Year	General Fund and HURF to Water/Wastewater Fund	2002A Excise Tax Obligations	Total
2004	\$ 542,833	\$ 607,326	\$ 1,150,159
2005	542,832	604,895	1,147,727
2006	542,833	606,910	1,149,743
2007	542,833	608,050	1,150,883
2008	542,833	608,300	1,151,133
2009-2013	1,628,499	3,033,505	4,662,004
2014-2018	-	3,028,004	3,028,004
2019-2020	-	1,505,344	1,505,344
	<u>\$4,342,663</u>	<u>\$10,602,334</u>	<u>\$14,944,997</u>

The following discloses debt service requirements as of June 30, 2003 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year	Principal	Interest	Total
2004	\$ 651,643	\$ 498,516	\$ 1,150,159
2005	677,508	470,219	1,147,727
2006	709,008	440,735	1,149,743
2007	741,169	409,714	1,150,883
2008	774,016	377,117	1,151,133
2009-2013	3,301,411	1,360,593	4,662,004
2014-2018	2,315,000	713,004	3,028,004
2019-2020	1,120,000	385,344	1,505,344
	<u>\$10,289,755</u>	<u>\$4,655,242</u>	<u>\$14,944,997</u>

**Capital Leases.** The City has entered into capital lease agreements for land, buildings, and computer equipment. These lease agreements generally require annual payments and the lease term varies from 3 years to 20 years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

	Amount
Land	\$ 6,435,562
Buildings	1,200,748
Equipment	1,607,942
Total	<u>\$ 9,244,252</u>



NOTE 10 - LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2003.

	Fiscal Years Ending June 30,	Total
	2004	\$ 1,446,656
	2005	1,105,237
	2006	812,750
	2007	812,750
	2008	812,750
	2009-2013	4,063,750
	2014-2017	3,251,000
Total minimum lease payments		12,304,893
Less: interest at 0.00 % to 14.11%		(4,868,614)
Present value of future minimum lease payments		<u>\$ 7,436,279</u>

**Statutory Debt Limitation.** In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, sewer, open space and artificial lighting and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2003, the 20 percent debt limitation was \$311,298,459 with \$129,580,000 of outstanding debt. This provided a 20 percent debt margin of \$181,718,459. The 6 percent debt limitation was \$93,389,538 with \$69,370,000 of outstanding debt. This provided a 6 percent debt margin of \$24,019,538. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2003, was \$124,570,000.

**Bond Covenants.** The various bond indentures contain certain limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions as of June 30, 2003.

**Arbitrage.** Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2003. However, the City has designated \$500,000 in the General Fund for this purpose.



**NOTE 10 - LONG-TERM DEBT** (Continued)

**Debt Service Requirements to Maturity.** The following is a summary of debt service cash requirements to maturity for all fixed rate general obligation bonds, special assessment bonds, Tempe Municipal Property Corporation bonds and Certificates of Participation:

Fiscal Years Ending June 30,	Enterprise Funds	General Obligation Governmental Funds	Special Assessment	Tempe Municipal Property Corporation	Series 10 Certificate of Participation	Total
2004	\$11,343,678	\$10,319,845	\$ 2,821,904	\$ 149,675	\$ 650,940	\$ 25,286,042
2005	9,344,300	8,778,537	2,704,827	148,015	654,160	21,629,839
2006	9,257,266	9,166,309	2,665,507	150,953	650,760	21,890,795
2007	8,801,013	8,705,781	2,621,712	148,190	645,785	20,922,481
2008	8,887,619	8,587,715	2,578,394	-	654,185	20,707,913
2009-2013	42,226,079	40,411,085	9,272,898	-	655,625	92,565,687
2014-2018	31,893,451	28,735,914	1,136,583	-	-	61,765,948
2019-2022	17,174,306	12,553,102	-	-	-	29,727,408
Less interest	<u>(41,347,712)</u>	<u>(36,863,288)</u>	<u>(5,281,825)</u>	<u>(76,833)</u>	<u>(576,455)</u>	<u>(84,146,113)</u>
	<u>\$97,580,000</u>	<u>\$90,395,000</u>	<u>\$18,520,000</u>	<u>\$520,000</u>	<u>\$3,335,000</u>	<u>\$210,350,000</u>

The following discloses the debt service requirements as of June 30, 2003 segregating principal and interest, for the next five years and in five-year increments thereafter:

Fiscal Years Ending June 30,	Principal	Interest	Total
2004	\$ 14,910,000	\$ 10,376,042	\$ 25,286,042
2005	12,345,000	9,284,839	21,629,839
2006	13,260,000	8,630,795	21,890,795
2007	13,005,000	7,917,481	20,922,481
2008	13,470,000	7,237,913	20,707,913
2009-2013	66,715,000	25,850,687	92,565,687
2014-2018	49,890,000	11,875,948	61,765,948
2019-2022	26,755,000	2,972,408	29,727,408
Total	<u>\$210,350,000</u>	<u>\$ 84,146,113</u>	<u>\$294,496,113</u>

**Changes in Long-term Liabilities.** The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Debt Payable:					
General obligation bonds payable	\$75,535,000	\$19,755,000	\$(4,895,000)	\$90,395,000	\$5,905,000
Special Assessments	20,250,000	-	(1,730,000)	18,520,000	1,795,000
Certificate of Participation	3,810,000	-	(475,000)	3,335,000	495,000
Variable Rate Demand Excise (Refunded)	40,500,000	-	(40,500,000)	-	-
Excise Tax Revenue Refunding Obligation	-	39,275,000	-	39,275,000	1,340,000
Variable Rate Demand Excise	-	15,500,000	(760,000)	14,740,000	555,000
Capital Improvement Notes Payable	10,860,206	-	(570,451)	10,289,755	604,860
Total Debt Payable	<u>150,955,206</u>	<u>74,530,000</u>	<u>(48,930,451)</u>	<u>176,554,755</u>	<u>10,694,860</u>



**NOTE 10 - LONG-TERM DEBT (Continued)**

**Changes in Long-term Liabilities. (Continued)**

**Governmental activities: (Continued)**

Capital leases	7,861,086	990,569	(1,415,376)	7,436,279	692,101
Compensated absences	10,704,052	9,660,960	(9,943,120)	10,421,892	10,781,657
Claims and judgements	3,056,090	1,239,295	(1,254,652)	3,040,733	700,140
Governmental activities long-term liabilities	<u>\$ 172,576,434</u>	<u>\$86,420,824</u>	<u>\$(61,543,599)</u>	<u>\$197,453,659</u>	<u>\$22,868,758</u>

**Business-type activities:**

General obligation bonds payable	\$ 78,595,000	\$25,065,000	\$(6,080,000)	\$97,580,000	\$6,595,000
TMPC bonds	630,000	-	(110,000)	520,000	120,000
Capital Improvement Notes Payable	129,393	-	(129,393)	-	-
Business-type activities long-term liabilities	<u>\$ 79,354,393</u>	<u>\$25,065,000</u>	<u>\$(6,319,393)</u>	<u>\$98,100,000</u>	<u>\$6,715,000</u>

The long-term liabilities at June 30, 2003, reported above, have been reduced by deposits made with the City's fiscal agent for July 1, 2003 maturities.

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the General Fund.

**NOTE 11 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST**

**Advance Bond Refundings**

Future debt service on refunded bonds has been provided through advance refunding bond issues. Under an advance refunding arrangement, refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued or guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2003, are as follows:

\$15,000,000 general obligation bonds issued in 1991 and refunded in 1994	\$ 9,610,000
\$17,500,000 general obligation bonds issued in 1992 and partially refunded in 1998	9,620,000
\$17,500,000 general obligation bonds issued in 1992 and partially refunded in 2002.	3,070,000
\$14,000,000 general obligation bonds issued in 1994 and partially refunded in 2002.	7,400,000
Total bonds advance refunded	<u>\$29,700,000</u>

**Current Bond Refunding**

On February 1, 2003, the City issued \$39,275,000 of governmental excise tax revenue refunding obligations with a premium of \$1,656,700 to refund \$40,500,000 of outstanding variable rate demand excise tax revenue obligations. The refunding was undertaken to take advantage of historically low interest rates by converting from a variable interest rate to a fixed interest rate on the obligations.



**NOTE 12 - COMMITMENTS**

In the Governmental fund financial statements, construction commitments are disclosed as reserves for encumbrances.

At June 30, 2003 the City's construction commitments are as follows:

	<u>Construction in Progress</u>	<u>Commitment</u>
<b>Governmental funds:</b>		
Performing Arts	\$ 8,918,388	\$ 5,639,250
Transit	7,772,256	13,320,217
Streets	10,607	1,829,735
Police	1,205,348	1,150,825
Fire	40,946	825,373
Storm Sewers	-	27,292
Parks	1,867,473	920,922
Rio Salado	2,792,376	2,652,739
Community Development	394,984	548,884
Bikeways	-	121,894
Signals	-	544,315
	<u>\$23,002,378</u>	<u>\$27,581,446</u>
<b>Proprietary funds:</b>		
Water and Wastewater	\$ 7,173,553	\$ 4,082,173
Golf	54,052	4,700
	<u>\$ 7,227,605</u>	<u>\$ 4,086,873</u>

**NOTE 13 - OPERATING LEASES**

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2003 was \$337,792.

The following is a schedule by year of future minimum lease payments:

<u>Years Ending June 30,</u>	<u>Amount</u>
2004	\$297,383
2005	214,743
2006	122,187
2007	37,216
2008	<u>2,824</u>
Total minimum payments required	<u>\$674,353</u>



## NOTE 14 - RETIREMENT AND PENSION PLANS

The City contributes to four separate defined benefit pension plans for the benefit of all full-time employees and elected officials. The Arizona Public Safety Personnel Retirement System administers separate agent multiple-employer retirement plans for all full-time police and fire personnel. The Arizona Public Safety Personnel Retirement System also acts as fund administrator for the Elected Officials Retirement Plan, a multiple-employer cost-sharing plan for elected officials of the City. The Arizona State Retirement System administers a multiple-employer cost-sharing plan for all other full-time employees. The City has met all required payment dates for these plans.

### Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

#### A. Plan Description

The City contributes to the Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes (A.R.S). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arizona Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

#### B. Funding Policy

PSPRS members are required to contribute 7.65% for fire (3% of which was paid for by the City based on a labor agreement) and 7.65% for police of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for fiscal year 2002-03 was 2% for fire personnel and 6.23% for police members. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

#### C. Annual Pension Cost

Police personnel contributed \$1,514,263 and fire personnel \$386,251 during fiscal year 2002-03. For 2003, the City's annual pension cost of \$1,233,185 for police and \$415,324 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation determining contribution requirements for fiscal year 2002/2003, using the entry age actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (b) projected salary increases of 6.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.00% to 3.00% per year, depending on age, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2002 was 20 years.



**NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)**

**D. Three Year Trend Information for PSPRS (Latest Available Information):**

**Police**

Fiscal Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2000	\$1,115,495	100%	-
2001	1,754,395	100	-
2002	1,683,966	100	-

**Fire**

Fiscal Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2000	\$327,507	100%	-
2001	411,169	100	-
2002	469,435	100	-

**E. Required Supplementary Information (Unaudited)**

Schedule of Funding Progress (Latest Information Available):

**Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2000	\$72,879,843	\$67,802,125	107.5%	\$(5,077,718)	\$17,446,020	N/A
2001	80,721,051	70,096,118	115.2	(10,624,933)	17,908,908	N/A
2002	81,813,815	81,417,297	100.5	(396,518)	20,023,353	N/A

**Fire**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2000	\$62,805,409	\$46,999,401	133.6%	\$(15,806,008)	\$8,597,893	N/A
2001	68,227,165	50,865,552	134.1	(17,361,613)	8,930,332	N/A
2002	67,919,632	58,288,980	116.5	(9,630,652)	8,198,575	N/A

**Arizona State Retirement System (All Other Full-time Employees)**

**A. Plan Description**

The City has elected to participate in the Arizona State Retirement System (ASRS or The System), a multiple-employer cost-sharing retirement plan, which provides retirement benefits for all full-time employees, except police and fire employees. The plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, Arizona, 85012 or by calling 1-602-240-2000.



**NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)**

**Arizona State Retirement System (All Other Full-time Employees) (Continued)**

**B. Funding Policy**

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined.

Covered employees contributed 2% of their annual compensation to the plan, as actuarially determined and set by State statute and the City contributed an amount equal to employee contributions each pay period. The City's contributions to the ASRS for the years ended June 30, 2003, 2002, and 2001 were \$1,321,928, \$1,271,195 and \$1,197,155 respectively, equal to the required contributions for each year.

**Elected Officials Retirement Plan (Mayor and City Council)**

**A. Plan Description**

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

**B. Funding Policy**

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2002-03 was 6.23%. The City's contributions to EORP for the fiscal years ended June 30, 2003, 2002 and 2001 were \$11,314, \$9,465, and \$12,812, respectively, equal to the required contributions for each year. The City's employees contributed \$11,362, \$9,506, and \$8,778 for the same time period.

**NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 14, the City offers the continuation of group health insurance benefits, in accordance with Resolution 90.63 of the City Council, to all retired employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Currently, 434 retirees meet those eligibility requirements.

The City offers three health plans to its retirees; Tempe Basic and Tempe Preferred Provider Organization (PPO), which are the City's self-insurance plans, and the CIGNA Health Maintenance Organization (HMO) plan. The benefits provided by the group health insurance plans are the same as those offered to active employees.



**NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The City and the pension administrators subsidize the health insurance premium of eligible retirees depending on type of health plan chosen coverage selected, and years of service. Approximately 52% of retiree premiums were subsidized by the City during the fiscal year. The City's accounting policy with regard to expenditure recognition of these health insurance benefits is to record the benefits when they are paid. During the fiscal year, expenditures of \$1,338,815 were recognized for post retirement health care.

**NOTE 16 - DEFERRED COMPENSATION PLANS**

The City offers its employees two compensation plans created in accordance with Internal Revenue Code, Section 457 and 401(K). The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator.

Federal legislation requires that Section 457 plan assets be held in trust for employees. This change means that employee assets held in Section 457 plans are no longer the property of the City and subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency assets are not included in the City's basic financial statements.

**NOTE 17 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS**

**Reservations of Fund Balances**

At June 30, 2003, amounts were reserved on the fund financial statements for the following purposes: encumbrances - represent purchase obligations outstanding at the end of the fiscal year; debt service - for payment of future amounts of principal and interest due; inventories - the value of materials and supplies needed to maintain adequate levels of operating supplies; prepaid items - the payments made in advance for leased equipment.

**Designations of Fund Balances**

At June 30, 2003, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; rainy day - amounts designated for unforeseen events; Capital Projects - amounts designated for future capital projects; Rio Salado - amount designated for future operation and maintenance costs related to the Rio Salado Town Lake project; compensated absences - amount designated for future payment of compensated absences; arbitrage rebate - amount designated for future arbitrage rebate.

	<u>Amount</u>
General Fund:	
Self-insurance purposes	\$ 8,841,391
Rainy day	6,124,225
Capital projects	536,000
Rio Salado	6,169,771
Compensated absences	7,026,071
Arbitrage rebate	500,000
Total Governmental Funds	<u>\$ 29,197,458</u>



**NOTE 18 - RISK FINANCING ACTIVITIES**

The City is exposed to risks arising from general liability, automobile liability (physical damage and bodily injury), property liability, workers compensation, and employee health claims.

The City has established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service fund by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to reduce the amount of claim expenditures reported in the internal service fund.

The City is self-insured for the first \$1.0 million for general liability and automobile liability claims. The City is self-insured for property, health claims, employer's liability and statutory workers' compensation claims up to \$215.5 million, \$7.2 million, \$1.0 million, and statutory limitation amounts, respectively. The self-insured retention per incident is \$100,000, \$125,000, \$250,000 and \$250,000, respectively. Coverage in excess of the self-insured retention level per incident is provided through the purchase of commercial insurance. During the year, there were no significant reductions in the amounts of excess coverage purchased, nor has the City experienced any settlements in excess of insurance coverage over the past ten years.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2003, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

The following is a summary of changes in insurance claims payable, accounted for in the governmental and proprietary funds, for the last two fiscal years:

	June 30, 2002	Claims Incurred Net of Change in Estimates	Payments	June 30, 2003
General liability	\$ 4,231,045	\$ (8,612)	\$ (627,407)	\$ 3,595,026
Automobile liability	75,387	138,274	(154,869)	58,792
Property liability	85,573	5,741	(84,912)	6,402
Workers' compensation	773,615	1,807,155	(1,050,805)	1,529,965
Health insurance	632,817	8,629,034	(8,445,459)	816,392
	<u>\$ 5,798,437</u>	<u>\$10,571,592</u>	<u>\$(10,363,452)</u>	<u>\$ 6,006,577</u>

	June 30, 2001	Claims Incurred Net of Change in Estimates	Payments	June 30, 2002
General liability	\$4,325,127	\$ 298,388	\$ (392,470)	\$4,231,045
Automobile liability	1,581,883	(1,295,794)	(210,702)	75,387
Property liability	251,113	(67,390)	(98,150)	85,573
Workers' compensation	1,335,267	481,074	(1,042,726)	773,615
Health insurance	412,168	7,977,330	(7,756,681)	632,817
	<u>\$7,905,558</u>	<u>\$7,393,608</u>	<u>\$(9,500,729)</u>	<u>\$5,798,437</u>

Additionally, at June 30, 2003, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.



**NOTE 19 - CONTINGENT LIABILITIES**

The City is subject to a number of lawsuits, investigations, and other claims that are incidental to the ordinary course of its operations. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a materially adverse effect on the City's financial position.

**NOTE 20 - RELATED ORGANIZATION**

The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; however, the City does not have a financial benefit/burden relationship nor is the City able to impose its will on the IDA as defined in GASB Statement No. 14; therefore, data for the IDA is not included in the City's basic financial statements. Separately issued financial statements are not available for the IDA.

**NOTE 21 - DEFICIT IN FUND BALANCE**

The Bikeways Capital Projects Fund had a deficit fund balance of \$67,109 at June 30, 2003. The deficit will be funded by general obligation bonds expected to be issued during fiscal year 2003-2004.





**Combining Fund Financial Statements**



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## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues used to finance certain projects or activities as required by law or contractual agreement.

- Performing Arts Fund - to account for the receipt and expenditure of the Performing Arts Tax monies. These monies are restricted to financing the performing and visual arts center.
- Highway User Revenue Fund - to account for the receipt and expenditure of the City's share of the highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related general obligation debt.
- Local Transportation Assistance Fund - to account for the receipt and expenditure of the City's share of state lottery allocations. These monies are restricted to transportation programs only.
- Community Development Fund - to account for the receipt and expenditure of U.S. Department of Housing and Urban Development Community Development Block Grant and Home Program monies.
- Housing Assistance Fund - to account for the receipt and expenditure of U.S. Department of Housing and Urban Development Lower Income Housing Assistance Program grant monies.
- Rio Salado - to account for the receipt and expenditure of miscellaneous monies used to foster the development of Rio Salado.
- Grants and Court Awards - to account for the receipt and expenditure of miscellaneous grant monies and revenue received from court awarded confiscated property under both the Federal and State Organized Crime Acts.
- Community Facilities District - to account for the receipt and expenditure of monies for the Rio Salado Community Facilities District.

### **CAPITAL PROJECTS FUNDS**

Capital Projects Funds account for all current financial resources used for the acquisition of capital facilities except those financed by Enterprise Funds. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major sources of financing are derived from bond proceeds and special revenues.

- Streets Fund - used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- Police Fund - used for purchasing, constructing and equipping public safety buildings.
- Fire Fund - used for purchasing, constructing and equipping fire stations.
- Storm Sewers Fund - used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- Parks Fund - used for acquiring, developing and equipping parks, playgrounds and recreation facilities.



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### **CAPITAL PROJECTS FUNDS (Continued)**

- Rio Salado Fund - used for consulting and engineering studies necessary to the design of the Rio Salado lakes and for constructing a wildlife habitat.
- Bikeways Fund - used for improving, constructing and reconstructing bikeways within the City, and to acquire rights-of-way.
- Signals Fund - used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.

**City of Tempe, Arizona  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003**

**Special Revenue**

	<u>Performing Arts</u>	<u>Highway User Revenue</u>	<u>Local Transportation Assistance</u>	<u>Community Development</u>
<b><u>Assets</u></b>				
Pooled cash and investments	\$ 11,139,339	\$ 3,837,797	\$ 2,447,776	370,754
Receivables:				
Taxes	450,191	-	-	-
Accounts	-	-	-	-
Accrued interest	50,033	-	-	-
Due from other governments	-	898,040	-	545,459
Inventories	-	670,307	-	-
Restricted cash and investments	13,024	-	-	-
Total assets	<u>\$ 11,652,587</u>	<u>\$ 5,406,144</u>	<u>\$ 2,447,776</u>	<u>\$ 916,213</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 15,551	\$ 100,776	\$ -	\$ 127,549
Deposits	-	-	-	-
Accrued expenditures	5,563	111,262	710	19,131
Claims and judgements	767	27,304	-	4,009
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	765,524
Matured bonds payable	760,000	-	-	-
Matured interest payable	12,909	-	-	-
Total liabilities	<u>794,790</u>	<u>239,342</u>	<u>710</u>	<u>916,213</u>
<b><u>Fund Balances</u></b>				
Fund balance (deficit):				
Reserved for:				
Encumbrances	-	91,551	-	24
Inventories	-	670,307	-	-
Unreserved:				
Undesignated	10,857,797	4,404,944	2,447,066	(24)
Total fund balances (deficit)	<u>10,857,797</u>	<u>5,166,802</u>	<u>2,447,066</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,652,587</u>	<u>\$ 5,406,144</u>	<u>\$ 2,447,776</u>	<u>\$ 916,213</u>

(continued)

**City of Tempe, Arizona  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003**

**Special Revenue**

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 232,873	\$ -	\$ 1,828,107	\$ 758,511	\$ 20,615,157
-	33,772	-	-	483,963
-	-	-	8,667	8,667
-	42,481	-	-	92,514
449,660	-	923,458	-	2,816,617
-	-	-	-	670,307
-	-	-	114,228	127,252
<u>\$ 682,533</u>	<u>\$ 76,253</u>	<u>\$ 2,751,565</u>	<u>\$ 881,406</u>	<u>\$ 24,814,477</u>
\$ 8,947	\$ 41,835	\$ 247,750	\$ 152,347	\$ 694,755
-	-	59,867	-	59,867
218,517	24,337	56,215	-	435,735
-	-	-	-	32,080
-	10,081	-	-	10,081
455,069	-	1,763,775	-	2,984,368
-	-	-	-	760,000
-	-	-	729,059	741,968
<u>682,533</u>	<u>76,253</u>	<u>2,127,607</u>	<u>881,406</u>	<u>5,718,854</u>
-	-	19,976	-	111,551
-	-	-	-	670,307
-	-	603,982	-	18,313,765
-	-	623,958	-	19,095,623
<u>\$ 682,533</u>	<u>\$ 76,253</u>	<u>\$ 2,751,565</u>	<u>\$ 881,406</u>	<u>\$ 24,814,477</u>

(continued)

**City of Tempe, Arizona**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

**Capital Projects**

	<u>Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Storm Sewers</u>	<u>Parks</u>
<b><u>Assets</u></b>					
Pooled cash and investments	\$ 7,797,270	\$ 2,958,284	\$ 1,610,536	\$ 1,025,931	\$ 5,283,695
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Restricted cash and investments	132,942	-	-	-	-
Total assets	<u>\$ 7,930,212</u>	<u>\$ 2,958,284</u>	<u>\$ 1,610,536</u>	<u>\$ 1,025,931</u>	<u>\$ 5,283,695</u>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 80,960	\$ 183,750	\$ 216,429	\$ -	\$ 345,283
Deposits	-	36,361	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>80,960</u>	<u>220,111</u>	<u>216,429</u>	<u>-</u>	<u>345,283</u>
<b><u>Fund Balances</u></b>					
Fund balance (deficit):					
Reserved for:					
Encumbrances	1,829,735	1,150,825	825,373	27,292	920,922
Inventories	-	-	-	-	-
Unreserved:					
Undesignated	6,019,517	1,587,348	568,734	998,639	4,017,490
Total fund balances (deficit)	<u>7,849,252</u>	<u>2,738,173</u>	<u>1,394,107</u>	<u>1,025,931</u>	<u>4,938,412</u>
Total liabilities and fund balances	<u>\$ 7,930,212</u>	<u>\$ 2,958,284</u>	<u>\$ 1,610,536</u>	<u>\$ 1,025,931</u>	<u>\$ 5,283,695</u>

(continued)

**City of Tempe, Arizona**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

**Capital Projects**

<u>Rio Salado</u>	<u>Bikeways</u>	<u>Signals</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 7,804,568	\$ -	\$ 1,037,971	\$ 27,518,255	\$ 48,133,412
-	-	-	-	483,963
-	-	-	-	8,667
-	-	-	-	92,514
539,828	-	-	539,828	3,356,445
-	-	-	-	670,307
-	-	-	132,942	260,194
<u>\$ 8,344,396</u>	<u>\$ -</u>	<u>\$ 1,037,971</u>	<u>\$ 28,191,025</u>	<u>\$ 53,005,502</u>
\$ 725,278	\$ 1,720	\$ 35,946	\$ 1,589,366	\$ 2,284,121
-	-	-	36,361	96,228
-	-	-	-	435,735
-	-	-	-	32,080
-	65,389	-	65,389	75,470
-	-	-	-	2,984,368
-	-	-	-	760,000
-	-	-	-	741,968
<u>725,278</u>	<u>67,109</u>	<u>35,946</u>	<u>1,691,116</u>	<u>7,409,970</u>
2,652,739	121,894	544,315	8,073,095	8,184,646
-	-	-	-	670,307
4,966,379	(189,003)	457,710	18,426,814	36,740,579
7,619,118	(67,109)	1,002,025	26,499,909	45,595,532
<u>\$ 8,344,396</u>	<u>\$ -</u>	<u>\$ 1,037,971</u>	<u>\$ 28,191,025</u>	<u>\$ 53,005,502</u>

**City of Tempe, Arizona**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<b>Revenues:</b>				
Sales Taxes	\$ 5,010,393	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	1,996,684
State grants	-	-	-	-
State sales tax	-	10,285,029	-	-
Other	-	-	870,471	1,029,824
Investment income	112,365	-	-	2,525
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	-	629	-	-
Total revenues	<u>5,122,758</u>	<u>10,285,658</u>	<u>870,471</u>	<u>3,029,033</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	170,286	-	-	-
Public works	-	7,430,748	-	-
Municipal courts	-	-	-	-
Development services	-	-	-	3,029,033
Economic development	-	-	-	-
Principal retirement	760,000	-	-	-
Interest and fiscal fees	443,949	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>1,374,235</u>	<u>7,430,748</u>	<u>-</u>	<u>3,029,033</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>3,748,523</u>	<u>2,854,910</u>	<u>870,471</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in:				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	-	-	-	-
Special revenue funds	-	-	(290,157)	-
Debt service funds	-	(4,000,000)	-	-
Capital projects funds	-	-	(1,350,000)	-
Enterprise funds	-	(356,175)	-	-
Issuance of debt	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(4,356,175)</u>	<u>(1,640,157)</u>	<u>-</u>
Net change in fund balances	3,748,523	(1,501,265)	(769,686)	-
Fund balance at beginning of year	7,109,274	6,668,067	3,216,752	-
Fund balance (deficit) at end of year	<u>\$ 10,857,797</u>	<u>\$ 5,166,802</u>	<u>\$ 2,447,066</u>	<u>\$ -</u>

(continued)

**City of Tempe, Arizona**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

**Special Revenue**

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 513,634	\$ -	\$ -	\$ 5,524,027
-	40,038	-	-	40,038
7,227,925	-	1,182,535	-	10,407,144
-	-	398,985	-	398,985
-	-	-	-	10,285,029
-	-	-	-	1,900,295
2,930	133,446	16,923	1,519	269,708
-	10,097	330,123	35,985	376,205
-	-	481,118	-	481,118
-	-	-	-	-
-	26,258	295,014	192,144	514,045
<u>7,230,855</u>	<u>723,473</u>	<u>2,704,698</u>	<u>229,648</u>	<u>30,196,594</u>
-	-	931,311	-	931,311
-	-	321,438	-	321,438
-	-	931,240	-	1,101,526
-	-	-	-	7,430,748
-	-	172,779	-	172,779
7,230,855	813,245	41,776	-	11,114,909
-	-	-	1,999,023	1,999,023
-	-	-	-	760,000
-	-	-	1,481,568	1,925,517
-	-	-	-	-
<u>7,230,855</u>	<u>813,245</u>	<u>2,398,544</u>	<u>3,480,591</u>	<u>25,757,251</u>
-	(89,772)	306,154	(3,250,943)	4,439,343
-	21,541	-	1,769,510	1,791,051
-	-	-	-	-
-	-	-	1,049,868	1,049,868
-	-	-	-	-
-	-	-	-	-
-	(12,500)	-	-	(12,500)
-	-	-	-	(290,157)
-	-	-	-	(4,000,000)
-	(1,989,700)	(210,508)	(135)	(3,550,343)
-	-	-	-	(356,175)
-	-	-	-	-
-	-	-	40,931,700	40,931,700
-	-	-	(40,500,000)	(40,500,000)
-	(1,980,659)	(210,508)	3,250,943	(4,936,556)
-	(2,070,431)	95,646	-	(497,213)
-	2,070,431	528,312	-	19,592,836
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,958</u>	<u>\$ -</u>	<u>\$ 19,095,623</u>

(continued)

**City of Tempe, Arizona**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
<b>Revenues:</b>					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	361,949	-	-	4,023	-
Miscellaneous	2,800	-	-	-	8,930
Total revenues	<u>364,749</u>	<u>-</u>	<u>-</u>	<u>4,023</u>	<u>8,930</u>
<b>Expenditures:</b>					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Economic development	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,732,928	2,269,362	4,331,899	167,472	1,517,504
Total expenditures	<u>3,732,928</u>	<u>2,269,362</u>	<u>4,331,899</u>	<u>167,472</u>	<u>1,517,504</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,368,179)</u>	<u>(2,269,362)</u>	<u>(4,331,899)</u>	<u>(163,449)</u>	<u>(1,508,574)</u>
<b>Other financing sources (uses):</b>					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	600,000	170,000	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	84,431	3,600	-	-	70,000
Enterprise funds	236,100	-	-	50,000	-
Transfers out:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	(40,000)	(4,257)	(15,177)	(27,174)
Enterprise funds	-	-	-	-	(180,000)
Issuance of debt	6,960,000	2,675,000	3,335,000	400,000	4,450,000
Proceeds of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>7,880,531</u>	<u>2,808,600</u>	<u>3,330,743</u>	<u>434,823</u>	<u>4,312,826</u>
Net change in fund balances	4,512,352	539,238	(1,001,156)	271,374	2,804,252
Fund balance at beginning of year	3,336,900	2,198,935	2,395,263	754,557	2,134,160
Fund balance (deficit) at end of year	<u>\$ 7,849,252</u>	<u>\$ 2,738,173</u>	<u>\$ 1,394,107</u>	<u>\$ 1,025,931</u>	<u>\$ 4,938,412</u>

(continued)

**City of Tempe, Arizona**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

<u>Capital Projects</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Rio Salado</u>	<u>Bikeways</u>	<u>Signals</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ 5,524,027
-	-	-	-	40,038
-	-	54,455	54,455	10,461,599
579,180	-	-	579,180	978,165
-	-	-	-	10,285,029
-	-	-	-	1,900,295
5,510	-	-	5,510	275,218
-	-	-	-	376,205
-	-	-	-	481,118
-	-	3,831	369,803	369,803
30,955	-	-	42,685	556,730
<u>615,645</u>	<u>-</u>	<u>58,286</u>	<u>1,051,633</u>	<u>31,248,227</u>
-	-	-	-	931,311
-	-	-	-	321,438
-	-	-	-	1,101,526
-	-	-	-	7,430,748
-	-	-	-	172,779
-	-	-	-	11,114,909
-	-	-	-	1,999,023
-	-	-	-	760,000
-	-	-	-	1,925,517
<u>2,937,000</u>	<u>467,194</u>	<u>801,798</u>	<u>16,225,157</u>	<u>16,225,157</u>
<u>2,937,000</u>	<u>467,194</u>	<u>801,798</u>	<u>16,225,157</u>	<u>41,982,408</u>
<u>(2,321,355)</u>	<u>(467,194)</u>	<u>(743,512)</u>	<u>(15,173,524)</u>	<u>(10,734,181)</u>
-	-	-	-	1,791,051
2,004,135	80,000	670,000	3,524,135	3,524,135
-	-	-	-	1,049,868
-	-	21,914	179,945	179,945
-	-	-	286,100	286,100
-	-	-	-	(12,500)
-	-	-	-	(290,157)
-	-	-	-	(4,000,000)
(23,000)	(30,000)	-	(139,608)	(3,689,951)
-	-	-	(180,000)	(536,175)
-	50,000	1,850,000	19,720,000	19,720,000
-	-	-	-	40,931,700
-	-	-	-	(40,500,000)
<u>1,981,135</u>	<u>100,000</u>	<u>2,541,914</u>	<u>23,390,572</u>	<u>18,454,016</u>
(340,220)	(367,194)	1,798,402	8,217,048	7,719,835
7,959,338	300,085	(796,377)	18,282,861	37,875,697
<u>\$ 7,619,118</u>	<u>\$ (67,109)</u>	<u>\$ 1,002,025</u>	<u>\$ 26,499,909</u>	<u>\$ 45,595,532</u>





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## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units, on a cost reimbursement basis.

- Risk Management Fund - used to account for the costs of general liability, automobile liability, property liability and workers compensation claims by the City under a self-insurance program.
- Health Fund - accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

**City of Tempe, Arizona  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2003**

	<u>Risk Management</u>	<u>Health</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current assets:			
Pooled cash and investments	\$ 5,311,398	\$ 1,932,712	\$ 7,244,110
Total assets	<u>5,311,398</u>	<u>1,932,712</u>	<u>7,244,110</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	121,213	113,039	234,252
Accrued expenses and claims payable	<u>5,190,185</u>	<u>-</u>	<u>5,190,185</u>
Total liabilities	<u>5,311,398</u>	<u>113,039</u>	<u>5,424,437</u>
<b><u>Net Assets</u></b>			
Unrestricted	-	1,819,673	1,819,673
Total net assets	<u>\$ -</u>	<u>\$ 1,819,673</u>	<u>\$ 1,819,673</u>

**City of Tempe, Arizona**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2003**

	<u>Risk Management</u>	<u>Health</u>	<u>Total</u>
Operating revenues:			
Contributions	\$ 1,942,557	\$14,718,800	\$16,661,357
Total operating revenues	<u>1,942,557</u>	<u>14,718,800</u>	<u>16,661,357</u>
Operating expenses:			
Claims incurred	<u>1,942,557</u>	<u>14,433,162</u>	<u>16,375,719</u>
Total operating expenses	<u>1,942,557</u>	<u>14,433,162</u>	<u>16,375,719</u>
Change in net assets	-	285,638	285,638
Total net assets- beginning	-	1,534,035	1,534,035
Total net assets- ending	<u>\$ -</u>	<u>\$1,819,673</u>	<u>\$1,819,673</u>

**City of Tempe, Arizona  
Internal Service Fund  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2003**

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 1,942,557	\$ 14,718,800	\$ 16,661,357
Payments for settlement of claims	(1,942,412)	(14,414,095)	(16,356,507)
Net cash provided (used) by operating activities	<u>145</u>	<u>304,705</u>	<u>304,850</u>
Net increase (decrease) in cash and cash equivalents	145	304,705	304,850
Cash and cash equivalents, beginning of year	<u>5,311,253</u>	<u>1,628,007</u>	<u>6,939,260</u>
Cash and cash equivalents, end of year	<u>\$ 5,311,398</u>	<u>\$ 1,932,712</u>	<u>\$ 7,244,110</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 285,638	\$ 285,638
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in accrued expenses	145	19,067	19,212
Net cash provided (used) by operating activities	<u>\$ 145</u>	<u>\$ 304,705</u>	<u>\$ 304,850</u>



**Other Supplementary Information**





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## BUDGETARY COMPARISON SCHEDULES



**City of Tempe, Arizona**  
**General, Special Revenue, and Debt Service Fund Types**  
**Combined Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	Final Budget Amounts	Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 117,971,129	\$ 112,859,765	\$ (5,111,364)
Intergovernmental	62,318,056	62,786,335	468,279
Investment income	7,255,000	2,847,301	(4,407,699)
Charges for services	6,204,000	7,330,349	1,126,349
Fines and forfeitures	4,232,272	5,577,826	1,345,554
Licenses and permits	1,048,550	1,263,163	214,613
Miscellaneous	2,327,700	2,452,669	124,969
Total revenues	<u>201,356,707</u>	<u>195,117,408</u>	<u>(6,239,299)</u>
<b>Expenditures</b>			
<b>Current:</b>			
Police	44,790,545	44,135,256	655,289
Fire	15,656,889	15,505,479	151,410
Community services	17,989,089	17,809,760	179,329
Public works	42,110,690	41,096,911	1,013,779
Community relations	2,993,795	2,884,570	109,225
Mayor and council	596,711	595,286	1,425
City Manager	971,700	970,075	1,625
City clerk and elections	443,807	443,317	490
City attorney	2,126,843	2,126,581	262
Municipal courts	3,042,046	2,965,244	76,802
Development services	19,997,771	18,134,758	1,863,013
Economic development	3,653,614	3,022,568	631,046
Financial Services	5,138,573	5,131,367	7,206
Human resources	3,745,740	3,745,370	370
Information technology	893,434	893,434	-
Non-departmental	9,605,918	9,358,183	247,735
Contingency	449,232	-	449,232
<b>Debt Service:</b>			
Principal	5,987,002	6,375,000	(387,998)
Interest and fiscal fees	8,866,080	6,141,756	2,724,324
Total expenditures	<u>189,059,479</u>	<u>181,334,915</u>	<u>7,724,564</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	2,147,500	12,828,893	10,681,393
Transfers to other funds	(38,110,632)	(31,386,000)	6,724,632
Total other financing sources (uses)	<u>(35,963,132)</u>	<u>(18,557,107)</u>	<u>17,406,025</u>
Net change in fund balance	<u>\$ (23,665,904)</u>	<u>\$ (4,774,614)</u>	<u>\$ 18,891,290</u>

**City of Tempe, Arizona**  
**General Obligation Debt Service Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual-**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 13,532,251	\$ 13,357,236	\$ (175,015)
Investment income	-	68,139	68,139
Miscellaneous	-	11,573	11,573
Total revenues	<u>13,532,251</u>	<u>13,436,948</u>	<u>(95,303)</u>
<b>Expenditures:</b>			
<b>Debt service:</b>			
Principal retirement	5,987,002	5,615,000	372,002
Interest and fiscal fees	5,531,080	4,215,712	1,315,368
Total expenditures	<u>11,518,082</u>	<u>9,830,712</u>	<u>1,687,370</u>
Excess of revenues over expenditures before other financing sources (uses)	2,014,169	3,606,236	1,592,067
<b>Other financing sources (uses):</b>			
Transfers in	-	4,000,000	4,000,000
Transfers out	-	(6,236,389)	(6,236,389)
Total other financing sources (uses)	<u>-</u>	<u>(2,236,389)</u>	<u>(2,236,389)</u>
Excess of revenues and other sources over expenditures and other uses	2,014,169	1,369,847	(644,322)
Fund balance at beginning of year	<u>12,101,857</u>	<u>12,101,857</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,116,026</u>	<u>\$ 13,471,704</u>	<u>\$ (644,322)</u>

**City of Tempe, Arizona  
Performing Arts Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance- Budget to Actual-  
Budget Basis  
For the Year Ended June 30, 2003**

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>Revenues:</b>			
Sales Taxes	\$ 5,293,000	\$ 5,010,393	\$ (282,607)
Investment income	103,000	112,365	9,365
Total revenues	<u>5,396,000</u>	<u>5,122,758</u>	<u>(273,242)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community services	317,903	169,012	148,891
<b>Debt service:</b>			
Principal retirement	-	760,000	(760,000)
Interest and fiscal fees	-	443,949	(443,949)
Total expenditures	<u>317,903</u>	<u>1,372,961</u>	<u>(1,055,058)</u>
Excess of revenues over expenditures and other uses	5,078,097	3,749,797	(1,328,300)
Fund balance at beginning of year	<u>7,116,094</u>	<u>7,116,094</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,194,191</u>	<u>\$ 10,865,891</u>	<u>\$ (1,328,300)</u>

**City of Tempe, Arizona**  
**Highway User Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual-**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Intergovernmental:			
State sales tax	\$ 9,965,400	\$ 10,285,029	\$ 319,629
Miscellaneous	-	629	629
Total revenues	9,965,400	10,285,658	320,258
<b>Expenditures:</b>			
Current:			
Public works	7,782,275	7,408,345	373,930
Total expenditures	7,782,275	7,408,345	373,930
Excess of revenues over expenditures before other financing sources (uses)	2,183,125	2,877,313	694,188
Other financing sources (uses):			
Transfers in	1,850,000	-	(1,850,000)
Transfers out	(356,175)	(4,356,175)	(4,000,000)
Total other financing sources (uses)	1,493,825	(4,356,175)	(5,850,000)
Excess of revenues and other sources over expenditures and other uses	3,676,950	(1,478,862)	(5,155,812)
Fund balance at beginning of year	6,357,651	6,357,651	-
Fund balance at end of year	\$ 10,034,601	\$ 4,878,789	\$ (5,155,812)

**City of Tempe, Arizona**  
**Local Transportation Assistance Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual-**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Other	<u>\$ 901,600</u>	<u>\$ 870,471</u>	<u>\$ (31,129)</u>
Total revenues	<u>901,600</u>	<u>870,471</u>	<u>(31,129)</u>
Expenditures:			
Current:			
Public works	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures before other financing uses	901,600	870,471	(31,129)
Other financing uses:			
Transfers out	<u>(1,647,500)</u>	<u>(1,640,157)</u>	<u>7,343</u>
Total other financing uses	<u>(1,647,500)</u>	<u>(1,640,157)</u>	<u>7,343</u>
Excess of revenues over expenditures and other uses	(745,900)	(769,686)	(23,786)
Fund balance at beginning of year	<u>3,216,752</u>	<u>3,216,752</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,470,852</u>	<u>\$ 2,447,066</u>	<u>\$ (23,786)</u>

**City of Tempe, Arizona  
Community Development Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance- Budget to Actual-  
Budget Basis  
For the Year Ended June 30, 2003**

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 5,652,412	\$ 1,993,455	\$ (3,658,957)
Other	-	1,029,824	1,029,824
Investment income	-	2,525	2,525
Total revenues	5,652,412	3,025,804	(2,626,608)
Expenditures:			
Current:			
Development services	5,652,412	3,025,804	2,626,608
Total expenditures	5,652,412	3,025,804	2,626,608
Excess of expenditures over revenues	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	-	\$ -

**City of Tempe, Arizona  
Housing Assistance Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance- Budget to Actual-  
Budget Basis  
For the Year Ended June 30, 2003**

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental:			
Federal grants	\$ 5,926,644	\$ 7,224,818	\$ 1,298,174
Investment income	-	2,930	2,930
Total revenues	<u>5,926,644</u>	<u>7,227,748</u>	<u>1,301,104</u>
<b>Expenditures:</b>			
Current:			
Development services	<u>5,926,644</u>	<u>7,227,748</u>	<u>(1,301,104)</u>
Total expenditures	<u>5,926,644</u>	<u>7,227,748</u>	<u>(1,301,104)</u>
Excess of expenditures over revenues	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Tempe, Arizona**  
**Rio Salado Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual-**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 699,000	\$ 513,634	\$ (185,366)
Property taxes	37,000	40,038	3,038
Investment income	452,000	133,446	(318,554)
Charges for services	7,600	10,097	2,497
Miscellaneous	24,600	26,258	1,658
Total revenues	<u>1,220,200</u>	<u>723,473</u>	<u>(496,727)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Development services	1,337,931	809,787	528,144
Total expenditures	<u>1,337,931</u>	<u>809,787</u>	<u>528,144</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(117,731)	(86,314)	31,417
<b>Other financing sources (uses):</b>			
Transfers in	-	21,541	21,541
Transfers out	(1,989,700)	(2,002,200)	(12,500)
Total other financing sources (uses)	<u>(1,989,700)</u>	<u>(1,980,659)</u>	<u>9,041</u>
Deficiency of revenues and other sources over expenditures and other uses	(2,107,431)	(2,066,973)	40,458
Fund balance at beginning of year	<u>2,087,282</u>	<u>2,087,282</u>	<u>-</u>
Fund balance at end of year	<u>\$ (20,149)</u>	<u>\$ 20,309</u>	<u>\$ 40,458</u>

**City of Tempe, Arizona**  
**Community Facilities District Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance- Budget to Actual-**  
**Budget Basis**  
**For the Year Ended June 30, 2003**

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>Revenues:</b>			
Investment income	-	\$ 1,519	\$ 1,519
Charges for services	-	35,985	35,985
Miscellaneous	-	192,144	192,144
Total revenues	<u>-</u>	<u>229,648</u>	<u>229,648</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Economic development	2,623,464	1,999,023	624,441
<b>Debt service:</b>			
Interest and fiscal fees	<u>3,335,000</u>	<u>1,481,568</u>	<u>1,853,432</u>
Total expenditures	<u>5,958,464</u>	<u>3,480,591</u>	<u>2,477,873</u>
Excess of revenues over expenditures before other financing sources (uses)	(5,958,464)	(3,250,943)	2,707,521
<b>Other financing sources (uses):</b>			
Transfers in	-	2,819,378	2,819,378
Transfers out	-	(135)	(135)
Total other financing sources (uses)	<u>-</u>	<u>2,819,243</u>	<u>2,819,243</u>
Deficiency of revenues and other sources over expenditures and other uses	(5,958,464)	(431,700)	5,526,764
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (5,958,464)</u>	<u>\$ (431,700)</u>	<u>\$ 5,526,764</u>





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## FINANCIAL DATA SCHEDULES

The Financial Data Schedules in this section are presented as required by the U.S. Department of Housing and Urban Development in accordance with the Uniform Financial Reporting Standards Rule as contained in the Federal Register (24CFR, Part 5, Subpart H). These schedules are presented on a modified accrual basis of accounting.

**City of Tempe, Arizona**  
**Housing Assistance Fund**  
**Other Supplementary Information - Financial Data Schedule**  
**Balance Sheet**  
**June 30, 2003**

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - Unrestricted	\$ 232,873
121	Accounts Receivable - PHA Projects	449,660
	Total Assets	<u>\$ 682,533</u>
<u>Liabilities</u>		
311	Bank Overdraft	\$ -
312	Accounts Payable <= 90 Days	12,056
321	Accrued Wage/Payroll Taxes Payable	16,116
322	Accrued Compensated Absences	-
331	Accounts Payable - HUD PHA Programs	199,292
342	Deferred Revenues	455,069
	Total Liabilities	<u>682,533</u>
<u>Equity</u>		
512	Undesignated Fund Balance	-
	Total Equity	<u>-</u>
	Total Liabilities and Equity	<u>\$ 682,533</u>

**City of Tempe, Arizona**  
**Housing Assistance Fund**  
**Other Supplementary Information - Financial Data Schedule**  
**Revenues and Expenses**  
**For the fiscal year ended June 30, 2003**

Line Item #	Account Description	Section 8 Voucher Program
<u>Revenues</u>		
706	HUD PHA Grants	\$ 7,227,925
711	Investment Income - Unrestricted	2,930
715	Other Revenue	-
	Total Revenues	7,230,855
<u>Expenses</u>		
911	Administrative Salaries	331,147
912	Auditing Fees	5,267
914	Compensated Absences	15,334
915	Employee Benefit Contributions - Administrative	77,053
916	Other Operating - Administrative	182,440
973	Housing Assistance Payments	6,619,614
	Total Expenses	7,230,855
	Excess (Deficiency) of Revenues Over (Under) Expenses	\$ -
<u>Memo Account Information</u>		
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ 6,928,173
1115	Contingency Reserve, ACC Program Reserve	1,967,463
1116	Total Annual Contributions Available	\$ 8,895,636
1120	Unit Months Available	12,288
1121	Number of Unit Months Leased	10,843





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**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**City of Tempe, Arizona**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**For the Fiscal Year Ended June 30, 2003**

<u>Program</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u> <u>in (out)</u>	<u>Balance</u> <u>June 30, 2003</u>
Police	\$ 16,752,901	\$ 2,362,627	\$ (416,483)	\$ (181,897)	\$ 18,517,148
Fire	13,209,308	4,469,377	(38,284)	105,170	17,745,571
Community services	33,330,992	20,472,157	(23,498)	(7,112,403)	46,667,248
Public works	624,609,423	32,794,628	(261,901)	(2,089,461)	655,052,689
Community relations	262,621	94,015	-	-	356,636
City manager	1,429,281	-	-	-	1,429,281
City clerk and elections	25,760	-	-	-	25,760
Municipal courts	282,613	-	-	-	282,613
Development services	13,248,602	2,548,686	(9,419)	(1,528,083)	14,259,786
Economic development	266,600	-	-	-	266,600
Financial services	1,224,638	265,913	-	(239,367)	1,251,184
Human resources	55,455	-	-	-	55,455
Information technology	37,383,510	2,399,783	-	(2,159,489)	37,623,804
Non-departmental	119,420,675	-	(6,732)	20,544	119,434,487
<b>Total</b>	<b>\$ 861,502,379</b>	<b>\$ 65,407,186</b>	<b>\$ (756,317)</b>	<b>\$ (13,184,986)</b>	<b>\$ 912,968,262</b>

**City of Tempe, Arizona**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**June 30, 2003**

<u>Program</u>	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Police	\$ 1,652,278	\$ 4,125,097	-	\$ 2,199,815	\$ 9,334,611	\$ 1,205,347	\$ 18,517,148
Fire	1,107,061	9,468,822	-	813,022	6,315,720	40,946	17,745,571
Community services	11,065,878	15,244,057	-	6,914,534	2,608,437	10,834,342	46,667,248
Public works	10,252,630	5,556,277	583,730,695	20,189,675	24,403,594	10,919,818	655,052,689
Community relations	-	-	-	99,828	256,808	-	356,636
City manager	1,350,184	-	-	39,621	39,476	-	1,429,281
City clerk and elections	-	-	-	-	25,760	-	25,760
Municipal courts	-	-	-	-	282,613	-	282,613
Development services	3,458,318	9,813,137	-	138,267	848,139	1,925	14,259,786
Economic development	140,600	-	-	-	126,000	-	266,600
Financial services	-	-	-	426,312	824,872	-	1,251,184
Human resources	-	-	-	49,705	5,750	-	55,455
Information technology	-	12,780,292	-	-	24,843,512	-	37,623,804
Non-departmental	16,076,709	54,782,177	-	21,120,334	27,455,267	-	119,434,487
Subtotal	45,103,658	111,769,859	583,730,695	51,991,113	97,370,559	23,002,378	912,968,262
Less: accumulated depreciation	-	(22,592,847)	(197,497,025)	(16,046,094)	(58,588,275)	-	(294,724,241)
Total governmental funds capital assets	\$ 45,103,658	\$ 89,177,012	\$ 386,233,670	\$ 35,945,019	\$ 38,782,284	\$ 23,002,378	\$ 618,244,021



**City of Tempe, Arizona**  
**Government-wide Expenses by Function (Exhibit S-1)**  
**Two Fiscal Years**

	Fiscal Year 2001-02	Fiscal Year 2002-03
Police	\$ 45,265,995	\$ 47,729,305
Fire	15,988,363	15,103,049
Community services	20,874,630	20,307,801
Public works	57,047,822	57,917,031
Community relations	2,212,271	2,845,176
Mayor and council	516,899	579,089
City manager	1,414,543	918,556
City clerk and elections	784,099	433,922
City attorney	2,420,285	2,027,045
Municipal courts	3,325,642	3,230,817
Development services	16,808,229	18,760,209
Economic development	2,485,774	3,245,906
Financial services	4,906,157	5,404,942
Human resources	4,058,772	3,762,782
Information technology	804,751	4,185,163
Non-departmental	7,594,725	14,852,873
	<u>\$ 186,508,957</u>	<u>\$ 201,303,666</u>

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.

City of Tempe, Arizona

Government-wide Revenues by Source (Exhibit S-2)  
Two Fiscal Years

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	State Income Taxes	Property Taxes	Franchise Taxes	Auto-Lieu Taxes	Total
2001-02	\$ 71,539,934	\$ 11,782,757	\$ 11,409,733	\$ 111,538,072	\$ 16,544,791	\$ 20,375,185	\$ 1,810,590	\$ 5,233,512	\$ 250,234,574
2002-03	73,321,979	13,490,697	5,278,431	112,724,512	16,882,535	21,269,140	1,476,718	6,247,543	250,691,555

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.

City of Tempe, Arizona

General Governmental  
 (General, Special Revenue and Debt Service Funds)  
 Revenues By Source - GAAP Basis (Exhibit S-3)  
 Last Ten Fiscal Years

Fiscal Year	Taxes	Inter-governmental	Investment Income	Charges for Services	Fines and Forfeitures	Special Assessments	Licenses and Permits	Miscellaneous	Total
1993-94	\$ 49,443,193	\$ 38,926,910	\$ 2,148,984	\$ 5,778,518	\$ 2,766,169	\$ 2,715,475	\$ 821,244	\$ 1,609,172	\$ 104,209,665
1994-95	61,169,579	43,067,593	3,704,351	5,829,027	3,031,153	2,673,189	862,605	2,008,062	122,345,559
1995-96	64,307,545	42,974,050	4,819,518	5,923,546	3,691,911	2,527,526	951,585	5,479,838	130,675,519
1996-97	77,573,590	44,565,117	5,309,812	7,120,367	3,522,706	17,735,854	936,866	4,120,450	160,884,762
1997-98	98,767,270	48,136,786	6,794,487	7,760,931	4,089,198	1,949,841	946,895	1,543,932	169,989,340
1998-99	101,865,345	53,161,165	7,178,510	6,576,694	4,877,353	2,603,350	1,100,281	2,156,437	179,519,135
1999-00	107,856,012	59,016,628	8,658,332	7,146,295	5,500,018	2,601,706	1,200,592	3,225,687	195,205,270
2000-01	116,709,523	60,987,547	14,889,640	6,977,643	4,924,823	2,899,583	1,081,485	2,705,437	211,175,681
2001-02	111,252,263	62,750,768	11,208,092	6,550,017	4,980,777	2,845,691	1,105,145	3,490,833	204,183,586
2002-03	112,859,765	64,374,191	2,864,224	7,660,472	6,058,944	2,835,480	1,263,163	2,751,374	200,667,613

City of Tempe, Arizona

General Governmental  
 (General, Special Revenue, Debt Service, and Capital Projects Funds)  
 Tax Revenues By Source - GAAP Basis (Exhibit S-4)  
 Last Ten Fiscal Years

Fiscal Year	City Sales (A)	Local Bed/ Other (B)	Primary Property	Secondary Property	SRP In-Lieu (C)	Residential Development	Franchise	Total
1993-94	\$ 33,859,498	\$ 965,383	\$ 4,225,048	\$ 7,578,152	\$ 1,311,706	\$ 586,825	\$ 916,581	\$ 49,443,193
1994-95	45,870,050	1,160,235	4,247,312	7,068,557	1,357,799	566,915	898,711	61,169,579
1995-96	48,488,110	1,236,459	4,760,417	7,537,093	1,322,950	372,790	962,516	64,680,335
1996-97	60,931,843	1,551,297	5,141,986	7,666,645	1,263,705	554,387	1,018,984	78,128,847
1997-98	80,495,003	1,779,972	5,382,818	8,449,186	1,199,458	636,430	1,368,373	99,311,240
1998-99	82,509,157	1,820,476	5,665,473	9,506,815	1,144,363	173,515	1,220,941	102,040,740
1999-00	86,935,628	1,970,165	6,145,575	10,416,361	1,110,420	256,610	1,278,333	108,113,092
2000-01	94,253,436	2,315,997	6,879,783	10,778,142	967,193	6,110	1,514,502	116,715,163
2001-02	87,952,618	1,583,185	7,135,100	11,729,480	1,041,290	-	1,810,590	111,252,263
2002-03	87,998,797	2,034,972	7,563,180	12,675,695	1,110,403	-	1,476,718	112,859,765

(A) In fiscal year 1996-97, City of Tempe voters approved a 0.1% increase in the City sales tax. In fiscal year 1999-00, City of Tempe voters approved a 0.5% increase in the City sales tax. In fiscal year 1999-00, City of Tempe voters approved a 0.1% increase in the City sales tax.

(B) Bed tax is included in the sales tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

(C) SRP In-Lieu tax is included in the property tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

City of Tempe, Arizona

General Governmental  
 (General and Special Revenue Funds)  
 Intergovernmental Revenues by Source - GAAP Basis (Exhibit S-5)  
 Last Ten Fiscal Years

Fiscal Year	State		Highway		State		Auto		Local		Federal Grants	Other	Total
	Sales Tax	Income Tax	User Tax	Income Tax	In-Lieu Tax	Transportation Assistance	Grants						
1993-94	\$ 10,062,083	\$ 9,256,278	\$ 8,954,978	\$ 3,238,167	\$ 1,123,762	\$ 5,950,264	\$ 341,378	\$ 38,926,910					
1994-95	10,937,688	11,139,519	9,435,501	4,031,788	1,107,750	5,329,298	1,086,049	43,067,593					
1995-96	11,474,002	9,939,947	10,238,951	3,863,004	1,109,176	5,666,784	682,186	42,974,050					
1996-97	10,857,058	11,661,618	9,788,235	4,150,865	1,143,695	6,093,228	870,418	44,565,117					
1997-98	11,466,965	13,158,548	9,684,269	4,390,865	1,019,776	6,738,777	1,677,586	48,136,786					
1998-99	12,208,316	15,361,479	10,767,285	4,971,529	1,000,596	6,416,229	2,435,731	53,161,165					
1999-00	13,511,356	17,045,903	11,041,068	5,497,492	976,015	6,895,654	4,049,140	59,016,628					
2000-01	13,951,532	17,890,338	11,213,830	5,632,181	957,785	7,042,160	4,299,721	60,987,547					
2001-02	12,148,438	16,544,791	9,853,831	5,233,512	900,415	9,059,321	1,178,386	54,918,694					
2002-03	12,405,713	16,882,535	10,285,029	6,247,543	870,401	10,845,327	6,837,643	64,374,191					

**City of Tempe, Arizona**  
**General Governmental**  
**(General, Special Revenue, Debt Service and Capital Projects Funds)**  
**Expenditures by Function - GAAP Basis (Exhibit S-6)**  
**Two Fiscal Years**

	Fiscal Year 2001-02	Fiscal Year 2002-03
	<u>                    </u>	<u>                    </u>
Police	\$ 44,998,148	\$ 45,287,397
Fire	16,035,946	14,944,261
Community services	18,699,638	18,578,259
Public works	40,953,013	40,904,425
Community relations	2,190,993	2,904,697
Mayor and council	518,319	579,089
City manager	1,438,441	944,568
City clerk and elections	784,395	442,615
City attorney	2,458,773	2,121,212
Municipal courts	3,244,835	3,142,488
Development services	15,898,464	17,919,144
Economic development	2,447,928	2,956,263
Financial services	4,721,361	5,151,110
Human resources	4,070,814	3,797,137
Information technology	686,109	990,568
Non-departmental	1,412,665	9,197,356
	<u>                    </u>	<u>                    </u>
	<u>\$ 160,559,842</u>	<u>\$ 169,860,589</u>

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new format.

General Property Tax Information (Exhibit S-7)

Tax Levy Limitations

Beginning in 1980-81, the total tax levy is comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy was limited to a 7% increase for 1980-81 and a 2% annual increase thereafter. In addition, the primary levy on residential property only is limited to an amount not more than 1% of market value. The secondary levy is unlimited.

Assessments and Collections

Since 1950-51, Maricopa County, at no charge to the cities, has assessed and collected all municipal property taxes. Remittances are made to the respective cities periodically as collections accrue.

Taxes Due

First installment, October 1st; second installment, March 1st.

Taxes Payable

City property taxes are payable at the office of the County Treasurer. Taxes for the first half of the year can be paid on the first of September through the first of November. Second half taxes can be paid on the first of March through the first of May.

Taxes Delinquent

The first half becomes delinquent on the first day of November at 5 p.m. The second half becomes delinquent on the first day of May at 5 p.m. Interest at the rate of 16% per annum attaches on the first and second installments following the delinquent dates.

Tax Sale

The sale of delinquent tax bills is begun on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second half taxes become delinquent. The sale is made at public auction in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest allowed by law is 12% per annum. The purchaser is given a Certificate of Purchase for each parcel.

Tax Deed

Five years subsequent to the tax sale, the holder of a Certificate of Purchase which has not been redeemed by the delinquent property owner may demand a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate of Purchase may institute quiet title action and the court will instruct the County Treasurer to issue a County Treasurer's Deed if the suit is successful.

Redemption

Redemption may be made by the delinquent property owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed. Payment may be made to the County Treasurer.

**City of Tempe, Arizona**

**Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)  
Last Ten Fiscal Years  
(Continued)**

Fiscal Year		City of Tempe	Schools			East Valley Institute of Technology (C)
			Tempe Union	Tempe Elementary (A)	Community College	
1993-94	Primary	\$ 4,299,653	\$ 33,427,473	\$ 26,385,373	\$ 113,440,000	\$ -
	Secondary	7,700,000	10,239,242	8,242,241	-	3,595,963
	Total	11,999,653	43,666,715	34,627,614	113,440,000	3,595,963
1994-95	Primary	4,463,534	34,663,388	26,296,909	118,841,866	-
	Secondary	7,350,000	10,348,734	7,233,778	-	2,863,873
	Total	11,813,534	45,012,122	33,530,687	118,841,866	2,863,873
1995-96	Primary	4,707,304	36,298,864	28,651,005	127,583,281	-
	Secondary	7,439,366	12,962,978	8,606,098	23,643,816	1,452,107
	Total	12,146,670	49,261,842	37,257,103	151,227,097	1,452,107
1996-97	Primary	5,058,289	35,822,152	26,455,974	136,570,230	-
	Secondary	7,548,414	15,067,689	8,781,347	10,099,590	6,120,184
	Total	12,606,703	50,889,841	35,237,321	146,669,820	6,120,184
1997-98	Primary	5,303,027	37,304,352	23,951,371	146,259,046	-
	Secondary	8,388,168	17,447,673	8,842,996	25,143,528	4,274,560
	Total	13,691,195	54,752,025	32,794,367	171,402,574	4,274,560
1998-99	Primary	5,612,357	42,137,221	27,500,363	158,026,342	-
	Secondary	9,490,562	24,250,898	10,736,890	21,173,925	5,130,129
	Total	15,102,919	66,388,119	38,237,253	179,200,267	5,130,129
1999-00	Primary	6,270,439	49,048,837	31,471,163	170,115,611	-
	Secondary	10,557,655	31,196,746	10,270,170	28,833,135	5,922,133
	Total	16,828,094	80,245,583	41,741,333	198,948,746	5,922,133
2000-01	Primary	6,956,983	45,938,017	35,072,934	187,642,684	-
	Secondary	10,812,099	30,369,063	11,339,936	31,377,241	6,155,098
	Total	17,769,082	76,307,080	46,412,870	219,019,925	6,155,098
2001-02	Primary	7,288,511	50,998,246	38,038,775	204,648,094	-
	Secondary	11,913,038	28,778,881	11,823,692	34,930,475	6,258,774
	Total	19,201,549	79,777,127	49,862,467	239,578,569	6,258,774
2002-03	Primary	7,682,987	56,994,879	40,319,642	221,156,802	-
	Secondary	12,897,095	31,162,656	12,272,916	36,526,312	6,175,823
	Total	20,580,082	88,157,535	52,592,558	257,683,114	6,175,823

Source: Maricopa County Assessor's Office  
Maricopa County Tax Levies & Rates Publication

- (A) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (S-15).
- (B) District which had their first secondary tax levies set in FY 87-88.
- (C) District which had it's first secondary tax levy set in FY 91-92.

City of Tempe, Arizona

Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)  
Last Ten Fiscal Years

Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District Assistance (B)	County Free Library District (C)	Total
\$ 210,718,100	\$ 62,492,117	\$ -	\$ -	\$ -	\$ -	\$ 450,762,716
25,360,203	-	35,142,441	18,905,751	1,404,427	5,631,213	116,221,481
<u>236,078,303</u>	<u>62,492,117</u>	<u>35,142,441</u>	<u>18,905,751</u>	<u>1,404,427</u>	<u>5,631,213</u>	<u>566,984,197</u>
235,367,648	62,520,935	-	-	-	-	482,154,280
428,377	-	35,318,672	18,929,645	1,447,315	5,638,330	89,558,724
<u>235,796,025</u>	<u>62,520,935</u>	<u>35,318,672</u>	<u>18,929,645</u>	<u>1,447,315</u>	<u>5,638,330</u>	<u>571,713,004</u>
227,774,077	63,420,563	-	-	-	-	488,435,094
20,670,863	-	36,078,354	19,767,209	1,517,982	1,397,824	133,536,597
<u>248,444,940</u>	<u>63,420,563</u>	<u>36,078,354</u>	<u>19,767,209</u>	<u>1,517,982</u>	<u>1,397,824</u>	<u>621,971,691</u>
228,558,077	-	-	-	-	-	432,464,722
22,590,472	-	38,118,477	20,080,420	1,567,061	6,038,469	136,012,123
<u>251,148,549</u>	<u>-</u>	<u>38,118,477</u>	<u>20,080,420</u>	<u>1,567,061</u>	<u>6,038,469</u>	<u>568,476,845</u>
248,578,872	-	-	-	-	-	461,396,668
21,446,852	-	42,339,342	22,012,897	1,645,591	6,619,593	158,161,200
<u>270,025,724</u>	<u>-</u>	<u>42,339,342</u>	<u>22,012,897</u>	<u>1,645,591</u>	<u>6,619,593</u>	<u>619,557,868</u>
268,641,579	-	-	-	-	-	501,917,862
22,058,679	-	44,670,223	23,536,796	1,737,365	7,078,280	169,863,747
<u>290,700,258</u>	<u>-</u>	<u>44,670,223</u>	<u>23,536,796</u>	<u>1,737,365</u>	<u>7,078,280</u>	<u>671,781,609</u>
298,649,736	-	-	-	-	-	555,555,786
20,264,361	-	44,310,754	26,147,563	1,873,777	7,862,946	187,239,240
<u>318,914,097</u>	<u>-</u>	<u>44,310,754</u>	<u>26,147,563</u>	<u>1,873,777</u>	<u>7,862,946</u>	<u>742,795,026</u>
324,589,568	-	-	-	-	-	600,200,186
24,051,128	-	44,309,245	27,141,030	1,997,318	8,789,518	196,341,676
<u>348,640,696</u>	<u>-</u>	<u>44,309,245</u>	<u>27,141,030</u>	<u>1,997,318</u>	<u>8,789,518</u>	<u>796,541,862</u>
358,897,617	-	-	-	-	-	659,871,243
20,071,906	-	45,322,696	29,787,075	2,086,084	9,646,430	200,619,051
<u>378,969,523</u>	<u>-</u>	<u>45,322,696</u>	<u>29,787,075</u>	<u>2,086,084</u>	<u>9,646,430</u>	<u>860,490,294</u>
390,180,835	-	-	-	-	-	716,335,145
19,565,638	-	44,868,063	31,805,013	1,859,466	10,296,417	207,429,399
<u>409,746,473</u>	<u>-</u>	<u>44,868,063</u>	<u>31,805,013</u>	<u>1,859,466</u>	<u>10,296,417</u>	<u>923,764,544</u>

**City of Tempe, Arizona**

**Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)  
Last Ten Fiscal Years  
(Continued)**

Tax Rates per \$100 of Assessed Valuation

Fiscal Year		City of Tempe	Schools			
			Tempe Union	Tempe Elementary (A)	Community College	East Valley Institute of Technology
1993-94	Primary	\$ 0.51	\$ 2.48	\$ 3.49	\$ 0.85	\$ -
	Secondary	0.89	0.75	1.07	-	0.07
	Total	<u>1.40</u>	<u>3.23</u>	<u>4.56</u>	<u>0.85</u>	<u>0.07</u>
1994-95	Primary	0.53	2.53	3.58	0.89	-
	Secondary	0.86	0.74	0.97	-	0.06
	Total	<u>1.39</u>	<u>3.27</u>	<u>4.55</u>	<u>0.89</u>	<u>0.06</u>
1995-96	Primary	0.56	2.54	4.01	0.95	-
	Secondary	0.84	0.86	1.13	0.17	0.03
	Total	<u>1.40</u>	<u>3.40</u>	<u>5.14</u>	<u>1.12</u>	<u>0.03</u>
1996-97	Primary	0.57	2.35	3.53	0.98	-
	Secondary	0.83	0.96	1.12	0.07	0.11
	Total	<u>1.40</u>	<u>3.31</u>	<u>4.65</u>	<u>1.05</u>	<u>0.11</u>
1997-98	Primary	0.56	2.23	3.00	0.98	-
	Secondary	0.84	1.00	1.10	0.16	0.07
	Total	<u>1.40</u>	<u>3.23</u>	<u>4.10</u>	<u>1.14</u>	<u>0.07</u>
1998-99	Primary	0.54	2.30	3.18	0.99	-
	Secondary	0.86	1.27	1.17	0.13	0.07
	Total	<u>1.40</u>	<u>3.57</u>	<u>4.35</u>	<u>1.12</u>	<u>0.07</u>
1999-00	Primary	0.55	2.45	3.37	0.97	-
	Secondary	0.85	1.45	1.00	0.15	0.07
	Total	<u>1.40</u>	<u>3.90</u>	<u>4.37</u>	<u>1.12</u>	<u>0.07</u>
2000-01	Primary	0.55	2.05	3.40	0.97	-
	Secondary	0.80	1.26	1.01	0.15	0.07
	Total	<u>1.35</u>	<u>3.31</u>	<u>4.41</u>	<u>1.12</u>	<u>0.07</u>
2001-02	Primary	0.53	2.08	3.41	0.96	-
	Secondary	0.82	1.11	1.00	0.15	0.06
	Total	<u>1.35</u>	<u>3.19</u>	<u>4.41</u>	<u>1.11</u>	<u>0.06</u>
2002-03	Primary	0.52	2.19	3.32	0.96	-
	Secondary	0.83	1.13	0.95	0.15	0.06
	Total	<u>1.35</u>	<u>3.33</u>	<u>4.27</u>	<u>1.11</u>	<u>0.06</u>

Source: Maricopa County Assessor's Office  
Maricopa County Tax Levies & Rates Publication

(A) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$5.52, \$5.80, and \$7.71, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (S-15).

**City of Tempe, Arizona**

**Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)  
Last Ten Fiscal Years**

Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District Assistance	County Free Library District	Total
\$ 1.58	\$ 0.47	\$ -	\$ -	\$ -	\$ -	\$ 9.38
0.19	-	0.36	0.14	0.01	0.04	3.52
<u>1.77</u>	<u>0.47</u>	<u>0.36</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.90</u>
1.77	0.47	-	-	-	-	9.77
0.01	-	0.36	0.14	0.01	0.04	3.19
<u>1.78</u>	<u>0.47</u>	<u>0.36</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.96</u>
1.69	0.47	-	-	-	-	10.22
0.15	-	0.33	0.14	0.01	0.01	3.67
<u>1.84</u>	<u>0.47</u>	<u>0.33</u>	<u>0.14</u>	<u>0.01</u>	<u>0.01</u>	<u>13.89</u>
1.64	-	-	-	-	-	9.07
0.16	-	0.34	0.14	0.01	0.04	3.78
<u>1.80</u>	<u>0.00</u>	<u>0.34</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.85</u>
1.66	-	-	-	-	-	8.43
0.14	-	0.34	0.14	0.01	0.04	3.84
<u>1.80</u>	<u>0.00</u>	<u>0.34</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.27</u>
1.68	-	-	-	-	-	8.69
0.13	-	0.33	0.14	0.01	0.04	4.15
<u>1.81</u>	<u>0.00</u>	<u>0.33</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.84</u>
1.71	-	-	-	-	-	9.05
0.11	-	0.29	0.14	0.01	0.04	4.11
<u>1.82</u>	<u>0.00</u>	<u>0.29</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>13.16</u>
1.68	-	-	-	-	-	8.65
0.12	-	0.25	0.13	0.01	0.04	3.84
<u>1.80</u>	<u>0.00</u>	<u>0.25</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>12.49</u>
1.68	-	-	-	-	-	8.66
0.09	-	0.23	0.13	0.01	0.04	3.64
<u>1.77</u>	<u>0.00</u>	<u>0.23</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>12.30</u>
1.70	-	-	-	-	-	8.70
0.08	-	0.21	0.13	0.01	0.04	3.59
<u>1.78</u>	<u>0.00</u>	<u>0.21</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>12.28</u>

City of Tempe, Arizona

Secured Property Tax Levies and Collections (Exhibit S-10)  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections		Delinquent Tax Collections	Total Tax Collections		Outstanding Delinquent Taxes	
		Amount	% of Levy		Amount	% of Levy	Amount	% of Levy
1993-94	\$ 10,210,274	\$ 9,862,842	96.6 %	\$ 255,276	\$ 10,118,118	99.1 %	\$ 267,655	2.6 %
1994-95	10,017,269	9,793,078	97.8	134,929	9,928,007	99.1	217,234	2.2
1995-96	11,005,571	10,660,436	96.9	168,873	10,829,309	98.4	331,786	3.0
1996-97	11,434,626	11,207,792	98.0	250,976	11,458,768	100.2	332,277	2.9
1997-98	12,406,900	12,116,241	97.7	187,710	12,303,951	99.2	265,567	2.1
1998-99	13,667,448	13,357,098	97.7	241,824	13,598,922	99.5	275,818	2.0
1999-00	15,393,449	14,946,148	97.1	211,624	15,157,772	98.5	358,878	2.3
2000-01	16,198,733	15,795,257	97.5	899,687	16,694,944	103.1	366,985	2.3
2001-02	19,127,781	18,543,839	96.9	291,651	18,835,490	98.5	556,360	2.9
2002-03	20,453,121	19,789,415	96.8	404,700	20,194,115	98.7	503,869	2.5

Source: District #506, Maricopa County Finance Office  
Secured Levy Report

**City of Tempe, Arizona**

**Net Assessed and Estimated Actual Value of Taxable Property (Exhibit S-11)  
Last Ten Fiscal Years**

		<u>Net Assessed Valuations (A)</u>	<u>Percent of Increase</u>	<u>Estimated Actual Cash Value (B)</u>	<u>Net Secondary / Primary Assessed Valuation as a percentage of the Estimated Actual Valuation</u>
1993-94	Primary	\$ 850,646,171	(1.057) %	\$ 6,205,846,749	13.71 %
	Secondary	863,130,790	(0.576)	5,328,172,482	16.20
1994-95	Primary	836,494,386	(1.664)	6,211,790,007	13.47
	Secondary	850,390,750	(1.476)	5,346,201,868	15.91
1995-96	Primary	837,449,511	0.114	6,241,416,783	13.42
	Secondary	887,858,508	4.406	5,791,836,968	15.33
1996-97	Primary	882,618,954	5.394	6,692,577,587	13.19
	Secondary	912,856,941	2.816	5,874,679,875	15.54
1997-98	Primary	954,640,295	8.160	7,176,757,224	13.30
	Secondary	993,270,348	8.809	6,480,327,901	15.33
1998-99	Primary	1,046,495,824	9.622	7,625,529,090	13.72
	Secondary	1,098,826,160	10.627	6,969,687,327	15.77
1999-00	Primary	1,142,364,500	9.161	8,194,877,901	13.94
	Secondary	1,240,471,800	12.891	7,767,094,564	15.97
2000-01	Primary	1,258,271,357	10.146	8,978,914,806	14.01
	Secondary	1,356,429,397	9.348	8,604,588,323	15.76
2001-02	Primary	1,370,020,840	8.881	9,756,507,857	14.04
	Secondary	1,456,361,617	7.367	9,197,839,943	15.83
2002-03	Primary	1,473,530,320	7.555	10,505,677,932	14.03
	Secondary	1,556,492,294	6.875	9,669,307,443	16.10

(A) Property tax legislation approved by voters on June 3, 1980, created PRIMARY and SECONDARY valuation bases. The primary (limited) tax levy is for maintenance and operation of counties, cities, school districts and the State. The secondary (full cash) tax levy is for debt retirement, voter-approved budget overrides and maintenance and operation of special-service districts. Real estate and improvements are combined in the primary valuation.

(B) In 1968, a statewide re-appraisal program was completed in which a property's value was assessed by usage classification on varying percentages of actual cash value. These percentages have since been modified and are currently as follows:

<u>Property Class</u>	<u>Current Ratio</u>
1. Mining, Timber	25%
2. Utilities	25
3. Commercial-Industrial	25
4. Agricultural, Vacant Land	16
5. Residential	10
6. Lease-Rental	10
7. Railroads	21
8. Historic	5

Source: Maricopa County Assessor's Office  
Cities & Towns Valuations, Abstract by Tax Authority & Legal Class Report

**City of Tempe, Arizona**

**Estimated Assessed Valuations of Major Taxpayers (Exhibit S-12)  
June 30, 2003**

<u>Taxpayer</u>	<u>Estimated 2002/03 Net Secondary Assessed Value</u>	<u>Percent of City's Total Net Secondary Assessed Value</u>
Motorola, Incorporated	\$ 36,999,282	2.38 %
Qwest Communications Corp./U.S. West	30,188,843	1.94
Arizona Mills LLC	24,946,645	1.60
Arizona Public Service Company	17,931,196	1.15
Britcher Arizona	13,505,779	0.87
State Farm Mutual Auto Insurance	12,151,085	0.78
AT&T	10,830,550	0.70
Microchip Technology	9,051,783	0.58
Allied Signal	8,640,964	0.56
Kimco Realty Corp.	8,214,869	0.53
Voicestream	7,696,456	0.49
Phoenix Coca-Cola	7,644,087	0.49
Wells Fargo Bank	7,040,657	0.45
Fountains Park LLC	6,345,008	0.41
Southwest Gas	6,251,343	0.40
<b>Total</b>	<b>\$ 207,438,547</b>	<b>13.33 %</b>

Source: Maricopa County Treasurer's Office

**City of Tempe, Arizona**

**Special Assessment Collections (Exhibit S-13)  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Current Assessments Due (A)</u>	<u>Current Assessments Collections</u>	<u>Percent of Collections to Amount Due (B)</u>	<u>Total Principal Outstanding</u>
1993-94	\$ 2,719,911	\$ 2,715,475	99.84 %	\$ 32,147,126
1994-95	2,674,809	2,673,189	99.94	30,954,855
1995-96	2,528,052	2,527,526	99.98	29,803,828
1996-97	17,735,945	17,735,854	100.00	12,716,535
1997-98	1,950,731	1,950,578	99.99	20,146,746
1998-99	2,604,881	2,604,881	100.00	24,768,881
1999-00	2,604,043	2,604,043	100.00	17,257,468
2000-01	2,899,583	2,899,583	100.00	15,750,000
2001-02	2,849,998	2,849,998	100.00	20,250,000
2002-03	2,839,171	2,839,171	100.00	18,520,000

(A) Current assessments due includes principal, interest and prior year delinquencies but does not include advertising or title search fees.

(B) Under Arizona law, public auctions are held the first quarter of each year, at which time disposition of then delinquent assessments are made. By bid, special lien rights to properties against which assessments are due but unpaid are offered in return for payment of all outstanding amounts plus penalties. In the event there are no interested bidders, the delinquency must be satisfied from budgetary funds of the sponsoring governmental unit. Thus, in the first quarter of each year, all outstanding delinquent assessments, except those delayed by bankruptcy proceedings, are collected. The percent of collected assessments to amounts due is less than 100% only when June 1st interest installments are uncollected or bankruptcy cases remain open at June 30th.

City of Tempe, Arizona

Percent of Net Direct Debt to Assessed Valuation and  
Net Direct Debt per Capita (Exhibit S-14)  
Last Ten Fiscal Years

Fiscal Year	General Obligation Debt		Less:		Net Direct Debt	Assessed Valuation (A)	Percent of Net Direct Debt To Assessed Valuation	Population (B)	Net Direct Debt Per Capita	
		Debt	Debt Service Reserves	Debt						
1993-94	\$	70,202,470 (C)	\$	13,067,969	\$	863,130,790	6.6 %	148,470	\$	384.82
1994-95		61,737,864 (C)		11,657,373		850,390,750	5.9	153,821		325.58
1995-96		67,164,944 (C)		9,597,875		887,858,508	6.5	154,770		371.95
1996-97		64,946,129 (C)		6,845,960		912,856,941	6.4	155,725		373.09
1997-98		58,247,603 (C)		7,620,884		993,270,348	5.1	156,686		323.11
1998-99		70,535,000		8,019,429		1,098,826,160	5.7	157,653		396.54
1999-00		66,405,000		7,302,028		1,240,471,800	4.8	158,625		372.60
2000-01		72,105,000		9,135,690		1,356,429,397	4.6	160,388		392.61
2001-02		75,535,000		12,123,427		1,456,361,617	4.4	159,435		397.73
2002-03		90,395,000		13,471,704		1,556,492,294	4.9	159,425		482.50

(A) Assessed valuation from Maricopa County Assessor's Office

(B) Population estimates from City of Tempe Planning Division

(C) Includes accreted interest and premium on Capital Appreciation Bonds.

City of Tempe, Arizona

Net Direct and Overlapping  
General Obligation Bonded Debt (Exhibit S-15)  
June 30, 2003

Jurisdiction	2002-03 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2002-03 Combined Tax Rate Per \$100 Assessed
			Percent	Amount	
<u>Net Direct</u>					
City of Tempe - General (net)	\$ 1,556,492,294	\$ 76,923,296 (A)	100.00 %	\$ 76,923,296	\$ 1.35
<u>Overlapping</u>					
State of Arizona	None	None	N/A	None	N/A
Maricopa County	24,457,047,282	39,515,000	6.14	2,426,221	2.17
Maricopa County Community College	24,457,047,282	284,815,000	6.14	17,487,641	1.11
Tempe Union High School District No. 213	2,747,119,796	202,585,000	54.04	109,476,934	3.33
Tempe Elementary School District No. 3	1,293,942,543	71,100,000	82.00	58,302,000	4.27
Kyrene Elementary School District No. 28	1,453,177,253	64,585,000	30.54	19,724,259	4.18
Scottsdale Unified School District No. 48	3,098,562,046	285,585,000	0.35	999,548	5.30
Mesa Unified School District No. 4	2,345,979,479	250,210,000	0.79	1,976,659	7.79
Total overlapping debt		<u>1,198,395,000</u>		<u>210,393,262</u>	
Total net direct and overlapping debt		<u>\$ 1,275,318,296</u>		<u>\$ 287,316,558 (B)</u>	

(A) Total outstanding general obligation less debt service fund reserve.

(B) Excludes the outstanding principal amount of Maricopa County Hospital District No.1 general obligation bonds, as this obligation has historically and is presently being paid from revenues generated from the operations of the District.

Source: All information except City of Tempe provided by Dain Rauscher.

**City of Tempe, Arizona**  
**Computation of Legal Debt Margin (Exhibit S-16)**  
**June 30, 2003**

Assessed Valuation		<u>\$ 1,556,492,294</u>
(A) Debt limit - 20% of assessed valuation		\$ 311,298,459
Amount of debt applicable to debt limit:		
General obligation debt outstanding (see Note 9)		
Governmental general obligation debt outstanding	\$ 95,290,000	
Enterprise general obligation debt outstanding	<u>103,660,000</u>	
Total general obligation debt outstanding		\$ 198,950,000
Less:		
6% General obligation bonds	<u>69,370,000</u>	
Total amount of debt applicable to 20% limit		<u>129,580,000</u>
Legal debt margin - 20% bonds		<u>181,718,459</u>
(B) Debt limit - 6% of assessed valuation		93,389,538
Amount of debt applicable to debt limit:		
General obligation debt outstanding (see Note 9)		
Governmental general obligation debt outstanding	95,290,000	
Enterprise general obligation debt outstanding	<u>103,660,000</u>	
Total general obligation debt outstanding		198,950,000
Less:		
20% General obligation bonds	<u>129,580,000</u>	
Total amount of debt applicable to 6% limit		<u>69,370,000</u>
Legal debt margin - 6% bonds		<u>24,019,538</u>
Total debt margin available		<u>\$ 205,737,997</u>

(A) Under Arizona law, cities can issue general obligation bonds for purposes of water, wastewater and artificial light, and open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of assessed valuation.

(B) Under Arizona law, cities can issue general obligation bonds for all purposes other than those listed in Note (A) above up to an amount not exceeding 6% of assessed valuation.

City of Tempe, Arizona

Remaining General Obligation Bond  
 Authorizations (Exhibit S-17)  
 June 30, 2003

1990 Program	Authorization	Prior Issues	Current Year Issue	Remaining Authorization
Water / Wastewater	\$ 30,000,000	\$ 30,000,000	\$ -	\$ -
Storm Drains	4,500,000	3,785,000	400,000	315,000
Streets / Transportation	20,000,000	20,000,000	-	-
Police Protection	6,000,000	6,000,000	-	-
Fire Protection	4,000,000	4,000,000	-	-
Library / Museum	1,000,000	1,000,000	-	-
Park Improvements	9,000,000	9,000,000	-	-
<b>Subtotal</b>	<b>74,500,000</b>	<b>73,785,000</b>	<b>400,000</b>	<b>315,000</b>
<b>1997 Program</b>				
Water / Wastewater	51,000,000	51,000,000	-	-
Streets / Transportation	18,000,000	11,340,000	6,660,000	-
Police Protection	3,000,000	2,995,000	5,000	-
Fire Protection	8,000,000	6,035,000	1,965,000	-
Park Improvements	10,000,000	7,955,000	2,045,000	-
<b>Subtotal</b>	<b>90,000,000</b>	<b>79,325,000</b>	<b>10,675,000</b>	<b>-</b>
<b>2002 Program</b>				
Water / Wastewater	77,000,000	-	25,100,000	51,900,000
Streets / Transportation	31,500,000	-	2,200,000	29,300,000
Police Protection	31,500,000	-	2,670,000	28,830,000
Fire Protection	6,000,000	-	1,370,000	4,630,000
Park Improvements	12,000,000	-	2,405,000	9,595,000
<b>Subtotal</b>	<b>158,000,000</b>	<b>-</b>	<b>33,745,000</b>	<b>124,255,000</b>
	<b>\$ 322,500,000</b>	<b>\$ 153,110,000</b>	<b>\$ 44,820,000</b>	<b>\$ 124,570,000</b>

City of Tempe, Arizona

Excise Tax Collections (Exhibit S-18)  
FY 1998-99 to FY 2002-03

	1998-99	1999-00	2000-01	2001-02	2002-03
Privilege and Use Tax (A)	\$ 57,366,200	\$ 59,967,673	\$ 66,121,741	\$ 59,299,059	\$ 59,882,551
State Shared Sales Tax	12,292,002	13,511,356	13,951,532	12,148,438	12,405,713
State Shared Income Tax	15,361,479	17,045,903	17,890,338	16,544,791	16,882,535
Franchise Tax	1,224,033	1,284,518	1,781,068	1,810,590	1,476,718
Permits and Fees	3,315,362	3,534,325	3,750,761	3,081,194	3,731,523
Fines and Forfeitures	4,439,503	4,778,418	4,566,819	4,601,758	5,510,476
<b>Total</b>	<b>\$ 93,998,579</b>	<b>\$ 100,122,193</b>	<b>\$ 108,062,259</b>	<b>\$ 97,485,830</b>	<b>\$ 99,889,516</b>

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", and the 0.1% Performing Arts Center Tax approved by voters in September 2000.

Source: City of Tempe Comprehensive Annual Financial Report, Fiscal Years 1998-99 through 2002-03 and City of Tempe "Revenue and Expenditure by Account by Fund" report.

**City of Tempe, Arizona**

**Pledged Revenue, Projected Debt Service and  
Estimated Coverage (Exhibit S-19)**

Fiscal Year	2003 Pledged Excise Tax Revenues (A)	Total Outstanding Parity Obligations Debt Service Requirements (B)	Estimated Coverage (C)
2002-03	\$ 99,889,516	\$ 3,457,746	28.89
2003-04		5,813,055	17.18
2004-05		5,809,800	17.19
2005-06		5,811,479	17.19
2006-07		5,810,068	
2007-08		5,674,281	
2008-09		5,669,626	
2009-10		5,016,261	
2010-11		5,020,368	
2011-12		5,017,600	
2012-13		5,018,193	
2013-14		5,019,053	
2014-15		5,022,948	
2015-16		5,020,096	
2016-17		5,017,275	
2017-18		5,024,709	
2018-19		5,031,004	
2019-20		5,031,045	
2020-21		3,085,688	
2021-22		3,086,938	
2022-23		3,086,438	

(A) Excise Tax Revenues received by the City in Fiscal Year 2002-03.

(B) Includes the annual debt service requirements of the City of Tempe Municipal Property Corporation's Series 1992 Bonds, currently outstanding in the principal amount of \$520,000; the City of Tempe, Arizona, Variable Rate Demand Excise Tax Revenue Obligations, Series 2002, currently outstanding in the principal amount of \$14,740,000; the Excise Tax Refunding Obligation, Series 2003, currently outstanding in the principal amount of \$39,275,000; the City's Refunding Certificates of Participation, Series 1999, currently outstanding in the principal amount of \$3,335,000, and the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of \$6,635,000.

(C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2002-03 Excise Tax Revenues to Total Debt Service Requirements for the City's revenue bonds.

**City of Tempe, Arizona**  
**Percent of Annual Debt Service Expenditures**  
**to Total General Expenditures (Exhibit S-20)**  
**(General, Special Revenue and Debt Service Funds)**  
**Last Ten Fiscal Years**

Fiscal Year	Debt Service Expenditures		Total Debt Service Expenditures	Total General Expenditures (A)	Percent
	Principal	Interest and Fiscal Fees			
1993-94	\$ 9,575,560	\$ 7,029,074	\$ 16,604,634	\$ 96,954,328	17.1 %
1994-95	10,921,177	7,006,155	17,927,332	100,915,439	17.8
1995-96	15,800,737	6,949,342	22,750,079	116,048,365	19.6
1996-97	31,497,222	6,396,550	37,893,772	143,994,004	26.3
1997-98	8,205,923	6,871,930	15,077,853	121,021,369	12.5
1998-99	16,534,670	7,490,564	24,025,234	143,600,548	16.7
1999-00	15,390,436	7,542,653	22,933,089	159,240,054	14.4
2000-01	14,869,347	7,568,469	22,437,816	178,213,014	12.6
2001-02	10,884,500	6,460,321	17,344,821	177,904,663	9.7
2002-03	8,105,000	7,296,250	15,401,250	183,630,979	8.4

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds

(A) Amount excludes capital outlay expenditures.

**City of Tempe, Arizona**  
**Principal Employers (Exhibit S-21)**  
**June 30, 2003**

<u>Company</u>	<u>Type of Business</u>	<u>Estimated Employees</u>
Arizona State University	State University	12,569
Wells Fargo Loan Services Division	Bank	6,601
Motorola Inc.	Electronics Manufacturing	4,779
Salt River Project	Utility	3,331
Honeywell Div	Aerospace Manufacturing	3,000
Chase Manhattan Corporation	Bank	2,377
Kyrene School District	Education	2,205
Bank One Telephone Banking Division	Bank	2,000
City of Tempe	Government	1,679
Phillips 66 Company	Petroleum Refining	1,500
Insight	Computer Direct Sales	1,400
Medtronics	Electronics Manufacturing	1,184
State Farm Insurance	Insurance	1,057
Facs Group	Department Store Financial Services	1,040

Source: City of Tempe, Economic Development, Major 100 Employers List

City of Tempe, Arizona

Demographic Statistics (Exhibit S-22)  
Last Ten Fiscal Years

Fiscal Year	Population (A)	Elementary District Enrollment (B)	High School District Enrollment (B)	Arizona State University Enrollment (C)	Average Annual Employment (D)	Percent Unemployed (D)
1993-94	148,470	13,250	8,942	39,082	84,862	4.3 %
1994-95	153,821	13,244	9,467	39,499	91,622	4.0
1995-96	154,770	13,449	10,167	39,519	100,058	2.9
1996-97	155,725	13,297	10,920	42,463	102,566	3.1
1997-98	156,686	12,888	11,787	41,006	111,620	2.5
1998-99	157,653	12,888	12,301	48,922	112,253	2.3
1999-00	158,625	12,719	12,605	50,365	118,284	2.4
2000-01	160,388	12,710	13,300	44,126	116,423	2.3
2001-02	159,435	13,476	12,580	47,359	119,149	3.3
2002-03	159,425	13,400	12,980	49,980	121,054	4.5

Source: (A) City of Tempe, Planning Division Estimate  
 (B) Tempe School District  
 (C) ASU, Office of Institutional Analysis  
 (D) Dain Rauscher

Maricopa County

Average Annual  
Non-Agricultural Wage and Salary Employment  
(Exhibit S-23)

Industry	1997	1998	1999	2000	2001	2002
Manufacturing	155,700	165,500	161,800	162,200	155,900	143,000
Mining and Quarrying	1,100	1,200	1,100	1,200	1,000	900
Construction	94,200	97,800	112,300	117,900	119,700	114,900
Transportation, Communication & Public Utilities	68,300	73,500	78,600	83,300	86,000	80,900
Wholesale & Retail Trade	336,200	347,700	357,000	366,400	373,900	376,500
Finance, Insurance & Real Estate	101,700	114,400	118,000	119,800	125,600	124,000
Services & Miscellaneous	421,900	450,800	486,200	512,000	507,900	504,900
Government	165,600	168,000	172,100	181,900	187,000	194,000

Source: Dain Rauscher

**City of Tempe, Arizona**

**Total Taxable Sales and Net Taxable Retail Sales  
Last Ten Fiscal Years  
(Exhibit S-24)**

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Net Taxable Retail Sales</u>	<u>% of Net Taxable Retail Sales to Total Taxable Sales</u>
1993-94	\$ 3,042,884,441	\$ 1,499,728,081	49.29 %
1994-95	3,783,186,421	1,864,627,865	49.29
1995-96	4,014,724,109	2,222,203,718	55.35
1996-97	4,158,465,174	2,301,925,879	55.36
1997-98	4,780,741,615	2,518,818,941	52.69
1998-99	5,038,518,000	2,630,888,000	52.22
1999-00	5,269,802,000	2,737,598,000	51.95
2000-01	5,576,484,000	2,823,977,000	50.64
2001-02	5,155,027,000	2,686,206,000	52.11
2002-03	5,046,755,000	2,660,949,000	52.73

Source: City of Tempe - Tax & License Division

Note: The City of Tempe tax rate is 1.8% for all taxable products and/or services.

**City of Tempe, Arizona**  
**New Construction Activity (Exhibit S-25)**  
**Last Ten Years**

Calendar Year	Number of Housing Starts	Value of Building Permits Issued			
		Residential	Commercial & Industrial	Other	Total
1993	298	\$ 43,649,000	\$ 50,772,000	\$ 8,528,000	\$ 102,949,000
1994	1,632	124,247,000	154,333,000	42,005,000	320,585,000
1995	1,161	63,922,000	118,609,000	73,335,000	255,866,000
1996	1,361	49,798,000	275,023,000	36,528,000	361,349,000
1997	1,694	47,319,000	328,367,000	53,768,000	429,454,000
1998	394	55,679,000	270,115,000	40,096,000	365,890,000
1999	711	60,413,000	183,558,000	30,945,000	274,916,000
2000	48	16,348,000	202,057,000	91,426,000	309,831,000
2001	291	10,822,000	139,288,000	36,913,000	187,023,000
2002	106	19,206,000	83,334,000	26,164,000	128,704,000

Source: Dain Rauscher

City of Tempe, Arizona

Maricopa County Bank Deposits (Exhibit S-26)  
Last Ten Fiscal Years  
(in thousands)

<u>Fiscal Year</u>	<u>Amount</u>
1993-94	\$ 19,485,966 (A)
1994-95	20,017,167 (A)
1995-96	21,171,950 (A)
1996-97	17,806,183 (A)
1997-98	20,568,058 (B)
1998-99	24,529,547 (C)
1999-00	26,490,225 (D)
2000-01	28,379,815 (D)
2001-02	29,293,209 (D)
2002-03	34,753,406 (D)

- (A) Amount represents Maricopa County Bank Deposits as of December 31 of the respective fiscal year.
- (B) Amount represents Maricopa County Bank Deposits as of 06/30/98.
- (C) Amount represents Maricopa County Bank Deposits as of 03/31/99.
- (D) Amount represents Maricopa County Bank Deposits as of June 30 of the respective fiscal year.

Source: Arizona Bankers Association

**City of Tempe, Arizona**  
**Schedule of Insurance (Exhibit S-27)**

	<u>Carrier and Policy Data</u>	<u>Annual Renewal Date</u>	<u>Coverage Limits</u>	<u>Annual Premium</u>
<b>Primary Public Liability &amp; Automobile</b>				
A. Primary	Self-insured	N/A	\$1,000,000	None
B. Excess	Royal Indemnity Company #RHJ090432	7/1/2002	25,000,000 X/S 1,000,000	\$ 242,893
	Gulf Insurance Company #GA2857192	7/1/2002	25,000,000 X/S 25,000,000	198,500
	Clarendon National Insurance Co. XLX39306118	7/1/2002	X/S 1,000,000 25,000,000	161,500
<b>Property</b>				
A. Primary	Self-insured	N/A	100,000	None
B. Excess	St. Paul Guardian Insurance Co. #CF08900120	7/1/2002	215,560,635	275,795
C. Cardinal's Training Facility	St. Paul Guardian Insurance Co. #CF08900121	7/1/2002	13,100,000	11,859
D. Inland Marine Town Lake Dams	Fireman's Fund Insurance Co. #MXI9838054	7/1/2002	5,000,000	39,850
<b>Workers' Compensation and Employer's Liability</b>				
A. Primary	Self-insured	N/A	250,000	None
B. Excess	Employers Reinsurance	7/1/2002	1,000,000	91,849
<b>Bonds</b>				
A. Position	Hartford Fire Insurance Company # SUN405246	7/28/2002	1,000,000	2,940
	Hartford Fire Insurance Company # 59BSBCC3252	1/6/2003	1,000,000	3,360
B. Public Employee Blanket	Hartford Fire Insurance Company #59BPEAD6547	7/1/2002	1,000,000	15,721

N/A - Not applicable

Source: City of Tempe, Risk Management Division

**City of Tempe, Arizona**

**Miscellaneous Statistical Data (Exhibit S-28)**

Date of Incorporation - November 26, 1894  
 Date Charter Adopted - October 19, 1964  
 Form of Government - Council/Manager

**Area - Square Miles:**

2002	40.0
2001	40.0
2000	40.0
1999	39.8
1998	39.8
1997	39.8
1990	39.3
1980	38.1
1970	25.3
1960	17.5
1950	2.7

**Population:**

2002-03	159,425
2001-02	159,435
2000-01 Official U.S. Census	160,388
1999-00	158,625
1998-99	157,653
1997-98	156,686
1995-96 Interim Census	154,770
1990-91 Official U.S. Census	141,993
1980-81 Official U.S. Census	106,920
1970-71	63,550

**Elections:**

Registered voters	75,724
No. of ballots cast last City general election	20,056
Percentage voting last City election	26.5

**School Registration:**

Tempe Elementary District	13,400
Tempe High School District	12,980
Arizona State University	49,980

**Municipal Parks:**

No. of parks	50
Developed acres	1,604
City playgrounds	44
Swimming pools	4
Golf courses	2
Lighted ballfields	30
Lighted multipurpose fields	41

**Libraries:**

No. of items in collection	452,595
Annual circulation	139,915
Registered borrowers	150,401

**Total Construction Activity:**

<u>F/Y</u>	<u>No. of Permits</u>	<u>Value</u>
2002-03	1,313	\$ 199,569,500
2001-02	1,261	121,230,900
2000-01	1,417	262,266,000
1999-00	1,717	317,142,700
1998-99	1,905	304,600,000
1997-98	2,533	492,419,400
1996-97	1,984	406,820,800
1995-96	2,038	248,475,500
1994-95	2,291	275,408,500
1993-94	2,298	265,148,300

**Fire Protection:**

No. of Stations	6
No. of employees (FT)	157
No. of fire calls	2,158
No. of medical calls	12,377
No. of other assistance calls	1,976
Emergency service average response time (minimum)	4:24

**Police Protection:**

No. of employees	508
Crime index (CY)	16,602
Crime rate (per 100,000 pop.)	10,200
Traffic accidents	5,666
Emergency service average response time (minimum)	4:67

**Refuse Collection (residential):**

Refuse accounts served	34,563
Refuse collected (tons)	41,791

**Water:**

Connections	41,335
Production (billions of gallons)	18.0
Miles of lines	841

**Sanitary Sewers:**

Connections	35,434
Miles of lines	501

**Miles of Storm Sewers**

170

**Miles of:**

Streets - maintained	1,241
Paved alleys - maintained	15
Unpaved alleys - maintained	165

**City employees (FTEs):**

Governmental	1,554
Utility	125
<b>Total</b>	<b>1,679</b>